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PROBLEMS CREATED BY MANDATORY OIL RESERVES

Rome STAFFETTA QUOTIDIANA PETROLIFERA in Italian 5 Apr 82 pp 9-10

[Article by Salvatore Riccobono: "The Pressures for a Modification of the Present Regime Are Increasing--These Reserves Are Costing Too Much"]

[Text] Within the framework of the proposals and solutions advanced in an attempt to solve the problems posed by the new obligatory-reserves regime (see STAFFETTA QUOTIDIANA PETROLIFERA of 26 March 1982), Salvatore Riccobono maintains, in the article below, that the open-store reserves should be shifted upstream into the refineries. This would make it possible to lighten the overall costs of this service and would facilitate recovery of them in the selling prices. Apart from the merits of the proposal, the elements of judgment provided in the article confirm the seriousness of the problem and the urgency of solving it.

Law No 22 of 10 February 1981, whereby the obligatory reserves held in commercial storage facilities for petroleum products were raised from 20 to 30 percent of capacity, makes more acute, and impossible to put off any longer, the old problem of the heavy financial costs which this obligation, borne by the petroleum sector alone, among all commercial operators, imposes on private persons who are forced to bear it in the name of national security. In justice, this burden should be distributed equally among all the citizens, whether or not they are consumers of petroleum products.

Furthermore, the present regime creates severe discriminations among the various operators within the petroleum sector, not permitting the commercial firms to recover the costs that they are forced to bear on behalf of the collectivity. The integrated oil companies that import and refine crude make a proportionate measurement of their reserves per 100 gallons consumed, as ascertained in the previous year, and divide the burden among themselves in relation to the processing that each of them did in the same year. The commercial firms, though, are tied to the installed storage capacity of their facilities and have to maintain reserves in direct correlation to it, independently of the sales that they actually make in the year, independently of the market's consumption and independently of the effective utilization of all the installed capacity.

In an administrated-prices regime, the impossibility of assigning to the consumer selling prices the true incidence, per firm, of the reserve costs results in a substantial loss that cannot be recovered in any way.

Such a difficulty would subsist also in a supervised-price or free-price regime if two different methods for calculation of reserves were followed for the refiners and the distributors: flexible and linked to consumption for the former, and rigid and inversely proportionate to consumption for the distributors. Now a law that establishes disparate conditions among economic operators in the same market sector and among operators in the same category cannot help but be devoid of legitimacy, if not of constitutionality. The time has therefore come for a radical reform of this irrational and iniquitous system.

In 1978, the incidence of the reserve costs in the selling price for a commercial firm of medium volume was Lit 641 per ton. In 1982, with the new law, this cost has reached a good Lit 5,245 per ton, because of--in addition to the increases in the value of the raw material--the reduction in consumption, which has been 18 percent between 1978 and today.

A ton of obligatory-reserve gasoline in open storage entails for the commercial firm a cost burden more than double what a producer bears for the same quantity stored in a refinery. For the other products too, the cost burden of storage reserve is higher than that borne by a refinery because in the storage facilities, tax has already been paid on the goods stored.

Value of Products Stored in the Refineries and the Storage Facilities (Lit/ton)

	<u>Gasoline</u>	<u>Gas-oil</u>	<u>Heavy Fuel Oil</u>
For the refineries:			
--Value of processed raw material	417,170	384,660	220,900
--Marketing expenses	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Total A	420,170	387,660	223,900
For the open storage facilities:			
--Buying price ex refinery	431,576	399,060	226,900
--Average cost of transport to storage	7,195	7,195	7,195
--Internal-bases surcharge at 50 percent	--	1,550	1,550
--Marketing	3,000	3,000	3,000
--January fabrication tax	<u>585,100</u>	<u>19,520</u>	<u>1,000</u>
Total B	1,026,871	430,325	239,645
In comparison with the refineries, the open storage facilities have an added value, per ton stored, of:	+ 144%	+ 11%	+ 7%

It is certainly antieconomic for the country to bear higher costs for setting up reserves when the identical result could be achieved at lower cost, if a system can be found that would enable the distributors to recover the entire burden borne by them to maintain the reserves asked by the law.

It should further be asked whether it is lawful to impose a consumption tax on quantities of product which by virtue of the law itself must not in any way be offered for consumption. Basically, the obligation to maintain reserves can be likened to the state's requiring private parties to put capital at the disposal

of collective exigencies. The terms of the loan, of payment of interest and repayment of principal, must be clear if it is desired to remain within legality and achieve an economically valid result without harm to anyone. In the case of the reserves, the problem boils down to an exact calculation of the annual commitment and a surcharge to be applied to be applied to all petroleum products for exact recovery either of the interest alone or of interest plus principal if the state should decide to take ownership of the reserves, as it already does for the strategic reserves and as some EEC countries do.

The only point at which such an operation is possible and controllable is the refinery, where the UTIF's [expansion unknown] can collect the surcharge, which would be calculated and established year by year by the Ministry of Finance in liaison with the Ministry of Industry. The problem of the reserves would thus be extremely simplified, in view of the fact that the reserves obligation would be concentrated in the refineries, and through them, on the big oil companies. Apart from the initial burden of financing, these companies would have certainty of recovery of all of the cost burdens, in view of the close connection between company sales and costs. The disparity of treatment as between refineries and open-storage operations, between the latter and industrial stores, etc, would thus be eliminated.

Meanwhile, it would be legally desirable, for the following reasons, for the minister of industry, in concert with the minister of finance, as is provided for by subsection 6 of Article 1 of the abovementioned Law No 22, to suspend the obligation for the concessionaires of commercial storage operations to increase reserves from 20 percent to 30 percent:

a) the approximately 20-percent reduction of consumption in the last 3 years, while the quantities stored as reserves in the open-storage facilities, has raised by a proportion far higher than the further 10 percent the ratio between sales and reserves that it has been desired, with the law in question, to achieve;

The legislators probably considered it equitable to put this increase into effect in harmony with what has been established for the refineries, without taking into account the different basis of calculation as between them and the storage operations.

b) the crossing of the threshold beyond which the very functioning of the storage operation, which, with such an increase, actually has 50 percent of its capacity cancelled out, is jeopardized;

The fact is that 10 percent of its capacity cannot be used because of Fire Department regulations, 30 percent cannot be used because it is not to be touched, and 10 percent has to stay there permanently, which fly necessary [as published] in order not to run the danger of dipping into the reserves, with all the administrative, economic and penal consequences connected with it today. In such case, either one increases the real operational storage capacity or one reduces sales considerably. But if it is desired to maintain the level of sales, one has to invest new capital for new tanks and build up the automotive fleet for delivery services (lower capacity means more trips so as not to

lose customers), while it would not be possible to reduce the number of personnel, which is proportionate to the original size of the storage facility and is closely linked to its structural operational capacity, the dimensions of which cannot be changed in a short time.

c) the certain fact that with the present mechanisms, the commercial firms cannot recover the major costs of the reserves to the extent of any more than 25 percent, as can be easily demonstrated.

One hundred days of reserves represents 27.4 percent of annual national consumption. However, the approximately 19 percent of the refineries' production is equal to about 15 million tons. Transfer of the storage facilities' 3.3 million tons of reserves to the refineries would mean a 4.2-percent in the refineries' costs--a totally recoverable increase--as against recovery of barely one-fourth of the relative costs by the commercial firms.

11267

CSO: 3104/210

OIL DIRECTORATE REPORT CONFIRMS ESTIMATES OF NORTH SEA OIL

Oslo AFTENPOSTEN in Norwegian 25 May 82 p 20

[Article by Pal Stensaas]

[Text] The drilling done on the Norwegian continental shelf last year confirmed previous Oil Directorate estimates of the total anticipated reserves of oil and gas. The drilling also confirmed the sharp rise in demonstrated reserves which occurred in 1980. Today the estimated reserves amount to 5 billion tons of oil equivalent (oil and gas). That does not include the big oil and gas deposits in the Troll field (area 31) or the finds outside North Norway.

Of the total demonstrated reserves, only 0.21 billion tons of oil equivalent have been extracted so far and the existence of around 2.7 billion tons of oil equivalent has been demonstrated by drilling.

The petroleum finds at Tromsøflaket and Haltenbanken last year were hailed by the Oil Directorate administration as a milestone in the development of oil activity on the shelf. In both areas, the presence of gas has been demonstrated with indications that oil has been formed in the deeper portions of the basins. The increase in the total gas and oil reserves and the geographic distribution will present the directorate with new challenges and increase the work load. In its annual report, the Oil Directorate's administration points out that careful planning will be needed to adapt the activities of the directorate to a total strategy for work on the shelf.

"We are probably confronting a situation now where the question of an even level of activity should be viewed on the basis of both regional and national perspectives," the administration wrote.

The finds at Haltenbanken and Tromsøflaket have given the authorities valuable information that can be used as a basis for evaluating adjacent areas. The directorate's plans for seismic studies this year are aimed at a possible expansion of the areas that have already been opened up in the north.

This year too the Oil Directorate stressed that its capacity at any given time determined the level of activity in the oil branch. Among other

things, the amount of work has increased in the safety control area, but the personnel situation has not improved. The directorate has simply been unable to implement the control program as planned. There were somewhat fewer resignations from the directorate last year than the year before, but they involved trained people in the safety division to a larger extent. The ability of the Oil Directorate to supervise the oil companies has been reduced before the oil companies themselves run into acute capacity problems.

The directorate administration feels that proper supervision depends on having general conditions that make it possible to hire an adequate number of qualified people. The leaders of the directorate stressed among other things that petroleum economic competence in the directorate must be expanded. Work still remains to be done on setting up a data bank of costs for use in estimating costs and following up on developments. Last year around 5.3 billion kroner in production fees were paid in, compared to 16 million kroner in 1973.

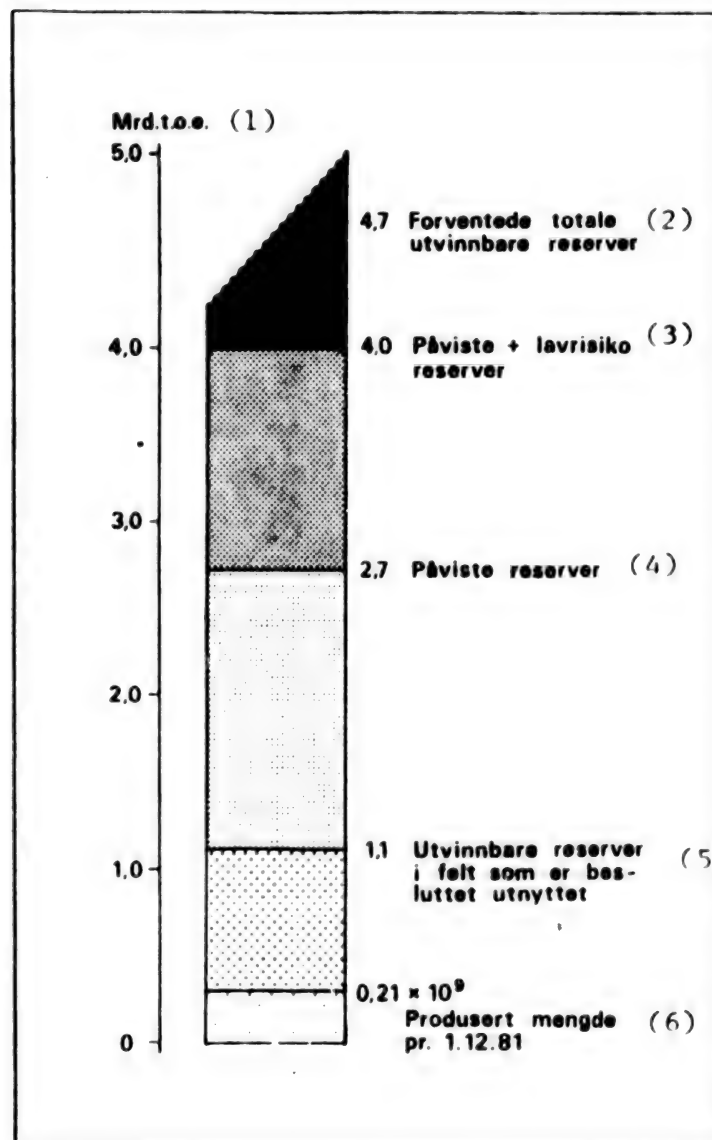
Costly Conflicts

Labor conflicts in the Norwegian continental shelf area were a costly affair. Production was reduced and there were some delays in the planned drilling program. In the conflict period, production fell by 1 million tons of oil equivalent to a gross production value of around 1.3 billion kroner.

The study of year-round drilling north of Stad must be pushed further, according to the Oil Directorate. The first study was ready last October and took into account the preparedness and safety prerequisites for year-round drilling. The last phase of the study will examine more closely the circumstances surrounding supply services and personnel transportation.

At the moment, some ten new finds in the Norwegian shelf area are being evaluated. Preliminary estimates suggest they could contain around 300 million tons of oil equivalent. The Oil Directorate says the amount of petroleum demonstrated so far is sufficient to maintain extraction, development and operating activities for several years to come. At the beginning of the year there was production at Statfjord, seven fields in the Ekofisk area, Frigg and Murchison. Valhall, Northeast Frigg, Odin and Statfjord were under development while the Gold Block, Heimdal and Ula were in the planning stage along with the Statpipe project. Total investments approved last year for the Norwegian shelf amounted to around 40 billion kroner.

Planning new development projects takes a long time. The Oil Directorate says it should be recognized that such planning takes between 8 and 10 years. In concrete terms this means that even with a modest extraction tempo of 60 million tons of oil equivalent annually, production from new reserves will be necessary before 1991. In other words, a decision on further new development must be made by 1984. With such a decision, the investment level will be maintained.



The above diagram, which was prepared by the Oil Directorate, shows total oil reserves on the Norwegian continental shelf, including those already known to exist, those in production and those expected to be productive. The amounts are given in tons of oil equivalent. In other words, 1 ton of oil equivalent equals 1 ton of oil or 1000 cubic meters of gas.

Key:

- | | |
|---|--|
| 1. Billions of tons of oil equivalent | 4. Demonstrated reserves |
| 2. Total estimated extractable reserves | 5. Extractable reserves in fields it has been decided to put into production |
| 3. Demonstrated + low-risk reserves | 6. Amount produced as of 1 December 1981 |

6578

CSO: 3108/110

JAPANESE FACTORIES IN WEST EUROPE STRESS MANAGERS, PERSONNEL

Paris L'EXPANSION in French 2-15 Apr 82 pp 97-101

[Article by Chantal Bialobos: "Have You Seen Your Boss? He's Japanese"]

[Text] At the end of January, in the opulent lounge of the Waldorf Hotel in London, 400 British bosses were getting a lesson. Their firms are torn by social conflicts, disrupted by absenteeism and in trouble due to low productivity; and they were hearing themselves told by Japanese with tranquil smiles, "We have succeeded where you have failed." The topic of that discussion day was "Lessons To Draw From Japanese Firms in Great Britain." No longer is there any need for study trips to the Land of the Rising Sun to admire the Japanese industrial model: it is here, on British soil, in your country, the sole difference being that the workers do not have slanting eyes.

The facts are conclusive: Overcoming the problems of language and culture, the Japanese have established solid bridgeheads in Europe that are expanding successfully--and profitably. How did they do it? Let us beware of cliches keyed only to style: "The Japanese succeed in getting the English to work because they have replaced the sacrosanct 'tea break' with a morning session of group calisthenics!" The question deserves a more serious answer. We went to look for it in three subsidiaries of Japanese groups in Europe--two in Great Britain and one in France.

Setting up production units abroad registered very quickly as a need within Japanese industrial strategy: the fear of protectionist actions to close off markets to them, the increase in Japanese wages, the saturation of their domestic market, the appreciation of the yen and the beginnings of a slow-down in their economy led Japanese firms to set themselves up abroad, particularly in Europe where their investments have quintupled in 10 years, reaching \$600 million in 1980. This phenomenon should become more and more noticeable: the creation of jobs can be a means for soothing the grievances of countries whose trade accounts are greatly unbalanced by Japanese imports.

Their country of choice is Great Britain, which has benefited from half of that investment. Japanese feel more at home there--as in their country, it is an island nation; as in their country, one drives on the left; English is still the language that they succeed in mastering best; and there is no lack of golf courses there!

At 0730 each morning in Bridgend, Wales, a thousand people surge into the Sony television factory. On the management side: pearl grey wall-to-wall carpeting, canary yellow lacquered doors and windows and offices with glass partitions. On the production side: large bright rooms with the cleanliness of a clinic. In the corridor, as in any factory in the world, a bulletin board; you would look in vain for a vindictive trade union leaflet there. Pinned up instead are the best design of the month, produced for the glory of Sony by an employee, as well as the best slogan. The tone is set.

Everywhere men in grey smocks and women in royal blue smocks: it is impossible to distinguish the general manager from a packer or the executive secretary from a female factory hand. The objective is to not create any feeling of inferiority, and this is carried to such an extent that from top to bottom everyone calls each other by his or her first name, whether it is John, Margaret or Takao. Some 200 kilometers away, in Plymouth, at Toshiba (more television sets), the office part of the factory resembles a large classroom where the worktables of the engineers, secretaries and managers are laid out; Kazutami Komada (Kazu, as his co-workers call him familiarly), the general manager, is at the far end, set apart only slightly, seated behind a desk that has nothing Olympian about it. He keeps an eye on all of his children, but if he were to begin to daydream, what a lot of witnesses there would be! Blue smocks for everyone: "They are not unpleasant to wear," commented Gloria Smith, worker and trade union representative, with a slight grimace. "Of course, if they were better cut...."

Let us cross the Channel. One finds "Japanese scenery" again inside the firm. At the Yoshida factory (zippers) in Seclin, in the north, the blue smocks are stamped with a set of red YKK initials. Yoshida does not have only its boosters. Dirty work in the factory is one thing, but in the offices support is unquestioned. Nevertheless, at mealtime in Seclin, as at Bridgend and Plymouth, blue collar and white collar eat in the common canteen, adjoined by a small television room at Toshiba where one can have coffee sitting in soft easy chairs.

More a Family Community Than a Business

Wearing uniforms, eating together and going without any symbol of socio-hierarchical barriers are perhaps very nice but are certainly not enough to explain a low level of absenteeism and high productivity. "That is undoubtedly so," responded Normal Lloyd, production manager at Sony in Bridgend. "But it gives us the feeling of being members of the same community, much closer to being a family than a business. With the standard hierarchical organization, that would not have been possible." And once you are part of the family, it is hard to leave it: the low level of employee turnover attests to that--7 to 10 percent in the Sony cassette factory in Bayonne, 10 percent at Toshiba, 15 percent at Sony in Bridgend and 4.5 percent at Yoshida in Seclin. These are decidedly lower levels than sector averages (the average sector level can reach 40-50 percent in English's electronics industry). Curiously, this notion of "family" is more readily advanced by English managers than by their Japanese colleagues, who pretend to find it a little old hat--anxious to escape being reproached for paternalism, no doubt. One must

recognize that Gallic individualism in France puts up less comfortably with this second family, even though some take it as a game.

It would be difficult to conceive of such an atmosphere if it had not been prepared for from above by two fundamental processes in Japanese installation strategy: the selection of managers and the choosing of workforce personnel. The choice criterion is still the "cast of mind" of the candidates--who are subjected to thorough interviews--even more than professional qualification. Let us listen to Alan Jones, Sony's personnel director: "We take a minimum of qualifications into account but, most of all, we are trying to see if candidates have the 'Sony profile.'" If not, we do not hire them." For each person hired, four are eliminated. At Toshiba in Plymouth each person hired is put through three different interviews besides the standard tests. Furthermore, Toshiba, a phoenix rising up again from its ashes in May 1981, has had a lot to choose from. The current establishment is, in fact, the successor to a business that was in existence from 1978 on and employed 2,600 people distributed among four factories. It was a subsidiary jointly held by Rank (70 percent) and Toshiba (30 percent). At the end of 1980, the venture was terminated: the factories were closed, all the employees were dismissed and Rank gave up the manufacture of television sets. On these ruins, Toshiba (which had lost "a great deal of money" in this affair) started up a new factory (with 300 people, all chosen from among former personnel), of which it is both sole shareholder and sole manager.

David Smith, director of personnel, commented: "Certainly we were able to take back the best. Our choice was based less on qualification than on five criteria: experience, enthusiasm, idealism, commitment to the company and attention to detail." At Plymouth, nobody gets a job description at the time he is hired. For a simple reason: Each must know how to do the job of the person next to him. "It is a role more than a job that each person is meant to have in the factory," stressed David Smith. This flexibility has nothing but advantages: it prevents the tedium of repetitive motions, and it makes it possible to avoid disruption of assembly lines in the event of absences. "And," David Smith added, "it is good for each person to feel concerned about the problems of the others."

The Akai factory, which has just opened in Honfleur, has adopted that system: In the training program, each employee has been taught to man all of the stations on the assembly line. At Yoshida (YKK) in Seclin, when Annie, the general manager's secretary (a godsend for him--she speaks Japanese), joined the company, she took a stock inventory to get to know the products.

The Little Trips Maintain Loyalty

As a rule, pay is slightly higher than the average in the area, and the fringe benefits are not negligible. They can take various forms. Thus, in Great Britain Sony has put a superb gymnasium, which bears comparison with the most fashionable fitness clubs, at the disposal of its employees. Both Toshiba and Sony organize "parties" for the workforce (in addition to the traditional "Christmas party") that are generally very successful. A paternalistic touch? "That is, in fact, what people on the outside think," noted Gloria Smith,

"but they change their minds when they become employed here." Finally, concerning vacation, Japanese employers are much more generous in Europe than in their country: Yoshida in Seclin offered 5 weeks well before the recent regulation. Sony's employees in Bridgend have 2 weeks in summer, 1 at Easter, 1 at Whitsun and 1 at Christmas, plus 4 days to be spread out over the year.

Japanese companies do not hesitate to send their workforce--not just top managers--to Japan for training. Yoshida does better: Every year the company organizes a 12-day trip in which 16 employees take part. The selection criteria are length of service, work attendance "and also your appearance," one female employee slipped in. Chantal, a woman who has been working in the factory since it was set up 9 years ago, had one of these trips (taken on work time): "All expenses paid, in magnificent hotels." And only tourism, except for a visit to one of the Yoshida factories. The little trips maintain loyalty.

Selection, seduction, but also communication, at all levels. "Because everything can go up the line, from the lowest grade to the top," emphasized David Smith at Toshiba. "That is quite an unusual philosophy in this country!"

Every morning in the Plymouth factory each shop foreman gets his team together for 5 minutes for everyone to air his grievances or problems, if he has any. Each month the production manager assembles all the employees who are responsible to him. Finally, every 6 months the entire workforce is gathered in the canteen to be informed about the running of the company. The employees have particularly strong feelings about this policy, and they cannot help comparing it with the "Rank era." "In the past, there was them and us," remembered Gloria Smith. "You were a name, a number. If you were to express a complaint, you would still be waiting for a response 2 weeks later. With the Japanese, you are an individual who can express his opinion at any time." At Sony it is the general manager who confers each morning with his immediate colleagues; the managers meet every Monday, and as of Tuesday all members of the workforce receive a copy of the minutes of the meeting.

Communication is less institutionalized but is nevertheless no less important at the Seclin YKK factory, where the Japanese number 10 (3 managers and 7 supervisors). "As soon as I have a problem, I can go and see my boss; at least with the Japanese you can talk to them," affirmed Claudine, a worker who does not hesitate to say, "I like it here." And Chantal went further: "How is it different with French bosses? It is that you get to know the Japanese. They are physically present." This is undoubtedly a far cry from the famous Japanese "ringi," that consensus which is said to be the key word in companies in Japan. But at least dialogue is possible.

Another principle imported from Japan is never to grant productivity bonuses but to inculcate in their employees a feeling of collective responsibility. At the Sony establishment in Bridgend, in the department of component production, you see a huge graph with a dragon above it on the wall at the far end: these are the defective parts curves--1980: five percent, 1982 objective: three percent, 1983 objective: two percent. "We are already below three

"percent," explained Wynne Thomas, the shop foreman. "The girls see it and they can understand what it means." In the next workshop a sign is hung every three or four work stations on the assembly line. On it can be read: "Support your quality group. If you have ideas, put them into practice."

Six months ago an "SQS" (Sony Quality Strategy) campaign started that at its conclusion should lead to the creation of quality circles such as exist in Japan. For example, Heather Hillcrest, a 40-year-old worker (8 years with Sony) has set up a "quality committee" on her assembly line with two of her workmates: they meet for an hour once a week to discuss possible improvements. The little "Queen's Award for Export" badge on their smocks is a reminder of an award received by Sony for its export performance in 1980. Mansel Jones, who has 40 years in British industry behind him, is more cautious: "Seventy-five percent of the girls here arrive straight from school. So they accept this quality ritual without argument. But do they really believe in it? I have no idea."

In the Toshiba factory, the system is more "transparent, and, without a doubt, psychologically more trying: right in front of her each worker has a table showing the defective work performed each month. "That way each one can measure her performance," explained Dennis Swadling, the production manager. In addition, a collective graph retraces the curve of defective parts for the whole factory and why they were rejected. Above the graph is a slogan: "Let us together supply good inexpensive products to many people." Childishly simplistic? Certainly. But it works. And the factory employees go so far as to clean their workshops themselves.

The last point--and an important one at that--is that the Japanese have been successful in limiting the influence of trade unions, at least in Great Britain. In Japan, employers are used to dealing with a single trade union, the company union. This is difficult to transpose into the Western system. So, the Japanese have managed to prevent things from getting too bad. At Rank in Plymouth there were seven different trade unions. In April 1981, before the Toshiba concern even started up, Toshiba agreed to recognize only a single trade union, the EETPU (Electrical Industries' Employees Trade Union) [Electrical Trades and Plumbers' Union?], with which an agreement was reached. "The EETPU alone is empowered to negotiate. Employees are free to join the union or not," explained David Smith. Roy Sanderson, the trade union leader, signed a "no-strike" agreement with Toshiba. In reality, this means consideration of all possible solutions before moving to strike action. In the event there is disagreement, resort to arbitration is allowed but without further bargaining. "Believe me," explained David Smith, "neither of the two parties really wants outside arbitration. Therefore, the pressure is strong for problems to be resolved without conflict." The next wage negotiations must be awaited in order to find out if this system can work in practice, not just on paper. In the company, at any rate, it is believed in: "It is time that British industry found solutions other than chronic strikes," maintained Gloria Smith.

The Sony enterprise, which has been in existence since 1973, underwent a strike in 1979 as a result of word put out on a national level, but the

employees were almost apologetic about following the movement. "In a sense," recalled Gordon Triggs, Sony's general manager, "our relations with the union were better afterwards." Since then, an agreement has been reached that any strike not directly related to Sony is not to be carried out. That is something for French employers to dream about! At Sony as well, the company negotiated with only a single trade union, the establishment of which the company instigated. Before the factory opened, Gordon Triggs drafted an agreement that he proposed to several trade unions in London; he signed with the AUEW (Amalgamated Union of Engineering Workers), which agreed to deal with him. "If I had not taken that decision I would have remained 6 months without a union, and then at the end of a year I would have had a half dozen of them," he commented with a touch of cynicism. .

Mazayochi Takagi, manager of Yoshida at Seclin, was less fortunate. His arrival in France in 1979 was greeted by a very tough strike. "When there are strikes in Japan, at least you are not insulted," he sighed. "But when Yoshida decided to set up here, nobody told us that it was a CGT fiefdom," he added with a burst of laughter. All the same, he did not expect such tough and intransigent militancy among these northern girls with angelic faces. And at the time of the union disputes, he also managed to lose his cool and let himself stoop to strong language--in Japanese!

Nevertheless, the consequences of all this for these three establishments are quite positive. Productivity is up without productivity bonuses. Are we not tired of hearing it said that the productivity of British workers is, in the automobile industry for example, one-sixth that of their Japanese counterparts? Now, at Seclin and at Bridgend and Plymouth, the productivity differences are nil or slight. To be sure, at Seclin a female worker watches four machines and produces 20,000 nylon zippers per day, whereas a Japanese worker watches eight machines and thereby doubles production. "But at the start we had few machines, so the women workers picked up some habits and they refuse to move to Japanese norms. On the other hand, for metal zippers we manage to get the same productivity as in Japan, because the norms were imposed from the start." Sometimes the figures speak for themselves: Yoshida produces a turnover at Seclin of 115 million francs with 280 people. Its competitor, Eclair--which is foundering in enormous difficulties--produces 35 million francs with 2,300 people.

At Sony, 850 to 900 television sets are made per year, compared with 250 a few years ago. But this increase cannot be attributed solely to gains in productivity; the workforce itself has also increased. "In the productivity and quality areas, our factory's performance is similar to that of Japanese factories," noted Gordon Triggs. Engineer Taka Kaito at Toshiba estimates that a British worker puts in 10 percent more time than his Japanese counterpart to produce a television set. "But in 9 months we have already reduced the gap by half. Our objective is to reach the Japanese level." Just to look at the figures, the Rank worker (who, however, received productivity bonuses) was making 150 television sets per year, whereas Toshiba's made 250 in 1981 and will be making 330 in 1982.

A Difficult and Handsomely Won Gamble

In absenteeism, the results are fairly spectacular: five percent at Toshiba and five percent at Sony, with a four percent target thanks to a system of awards. In English companies of the same type, absenteeism often hits 12 percent. At Yoshida in Seclin, where there has been much less stress on the "development of collective responsibility," they admit having a lot of trouble getting absenteeism below 20 percent. "But it is the same in the whole industrial area," emphasized Mr Collet, director of personnel.

The Japanese enterprises set up in Europe--particularly in Great Britain and in France, where employer-wage-earner relations are not exactly calm--have attempted an unquestionably difficult gamble, and they have won it handsomely. "We are not trying to copy Japan," the local managers of Sony, Toshiba and Yoshida affirm in chorus. "But we are trying to take the best of both worlds and to bridge the 'gap' between the two cultures." Eyebrows will no doubt be raised with regard to the paternalism, the strict hiring selection process and the evasion action vis-a-vis trade unions. But on the other side of the coin one should put the extensive potential for wage-earners to express their opinions, the very direct dealings with supervisory personnel and management, the art of motivation and the communication at all levels. The Japanese are starting to prove to us, right here, that their model is not as untransferrable as people said it was.

PHOTO CAPTIONS

[1, p 97] Takao Yuhara has been administrative director of the Sony factory in Bridgend for 4 years. "To get to know the English takes time, but the real difficulties only lasted 2 weeks."

[2, p 99] At Seclin, each production workshop is run by a Japanese technician. While there are only 9 Japanese managers and technical assistants out of 280 people, the boss, as in all the group's factories, is Japanese. "To run a YKK factory, one must have the samurai spirit," explains the manager, Mazayochi Takagi.

Table 1. Japanese Establishments in Europe

<u>Firm</u>	<u>Product</u>	<u>Number of Employees</u>	<u>Location</u>
GREAT BRITAIN:			
1. Hitachi	television sets	2,169	Aberdare
2. Sony	television sets	920	Bridgend
3. Hodagaya	chemicals	620	Chesterfield
4. Matsushita	television sets	450	Cardiff

Table 1. (continued)

<u>Firm</u>	<u>Product</u>	<u>Number of Employees</u>	<u>Location</u>
5. Toshiba	television sets	300	Plymouth
6. YKK	zippers	270	Runcorn
7. NSK	bearings	254	Edgware
8. Mitsubishi	television sets	200	London
IRELAND:			
1. Asahi	fiber	550	Dublin
2. Noritake	earthenware	520	Arklow
3. Noritake	porcelain	460	Arklow
WEST GERMANY:			
1. Sony	television sets	500	Cologne
2. Janome	sewing machines	342	Karlsruhe
3. YKK	zippers	320	Marburg
4. Makino	machine tools	200	Hamburg
FRANCE:			
1. Sony	cassettes	380	Bayonne
2. YKK	zippers	280	Seclin
3. Ajinomoto	chemicals	209	Amiens
4. Akai	hi-fi's	180	Honfleur
ITALY:			
1. YKK	zippers	380	Vercelli
2. Toray	imitation leather	370	Terni
3. Sekisui	plastics	260	Potenza

Table 1. (continued)

<u>Firm</u>	<u>Product</u>	<u>Number of Employees</u>	<u>Location</u>
BELGIUM:			
1. Honda	lightweight motorcycles	480	Aalst
2. Matsushita	batteries	200	Tessenderlo
SPAIN:			
1. Nissan	automobiles	9,300	Barcelona
2. Nissho	specialty steels	1,200	Madrid
3. Mitsui	canned fruit	580	Valencia
4. Matsushita	electricity	450	Barcelona
5. YKK	zippers	380	Tortosa
6. Teijin	fiber	352	Barcelona
7. Ishitawajima	engineering	217	Madrid
PORTUGAL:			
1. Toyota	automobiles	1,550	Lisbon
2. Mitsubishi	fiber	436	Lisbon
3. Mitsui	chemicals	230	Lisbon

With some 30 firms (only the biggest appear above) employing 60,000 people, Great Britain is still the country of choice for Japanese investment, which is up to 12 billion francs there. Germany comes next, with 3 billion francs worth, and then France, with 2.5 billion. The pace of investment in the EEC has been seen to accelerate: investment quintupled between 1971 and 1980 and should further quadruple between now and 1990.

9631

CSO: 3100/558

FINANCE MINISTER DEFENDS GOVERNMENT PUBLIC SECTOR POLICIES

Copenhagen BERLINGSKE TIDENDE in Danish 26 May 82 p 11

[Article by Knud Heinesen, Minister of Finance]

[Text] In an editorial on Monday, 25 May, BERLINGSKE TIDENDE commented upon the recently published Budget Report 1982. The main view expressed in the said editorial is that the government does not control the developments in the expenditures within the public sector. This conclusion, however, is completely misleading, which I shall discuss in greater detail in the following.

The government's expenditure policy is two-pronged. Within the areas covered by the one prong--80 percent of the budget, comprising the traditional activities such as schools, roads, social and health services, defense, police, etc.--we want a gradual reduction of the growth rate. A zero growth rate would neither be realistic, nor desirable. But we must get down at a gradually declining and, in time, very low growth rate in these areas.

How have things then gone?

This may, of course, be determined in various ways. One may measure the growth rates in the budgets in terms of kroner, and one may measure the growth rate in the consumption of manpower within the public sector. The graph shows how things have gone: Regardless of whether one measures in terms of kroner or in terms of consumption of manpower, the growth rate has been clearly declining. The declining growth rates would have appeared even more clearly if--instead of examining the total expenditures in the traditional areas--one would have examined only the development within the actual public service areas.

As far as I can see, it is difficult to reach any other conclusion than that the part of the two-pronged expenditure policy which aimed at the traditional areas has been quite successful.

I now turn to the other part of the public expenditure policy. The part which aimed toward fundamental structural changes which, in the somewhat longer run, will be able to improve the balance problems of the Danish economy. Examples of this are subsidies to energy-saving measures, urban renewal, expansion of the energy supply, technological service, subsidies to the trades and industries, subsidy arrangements for agriculture, apprenticeship and trainee jobs, etc. In

these structural areas, where it is typically a question of investments which, in the long run, will not tie manpower resources within the public sector, there has been a considerable growth in recent years. And I find that a good and right thing. For it is an expression of the fact that we are in full swing of effecting the reorganization of the Danish economy which is so imperative. Even the biggest economization heroes within the non-socialist parties will presumably hardly be of the opinion that we should avoid energy saving measures, avoid subsidies to agriculture, avoid measures to promote the trades and industries, avoid setting up apprenticeship and trainee jobs in order to limit the growth in the expenditures of the public budgets. That would be tantamount to being penny-wise and pound-foolish. It would be a shortsighted policy. The government's policy is of a more long-term nature. That is why we are willing to make investments now where it points to progress.

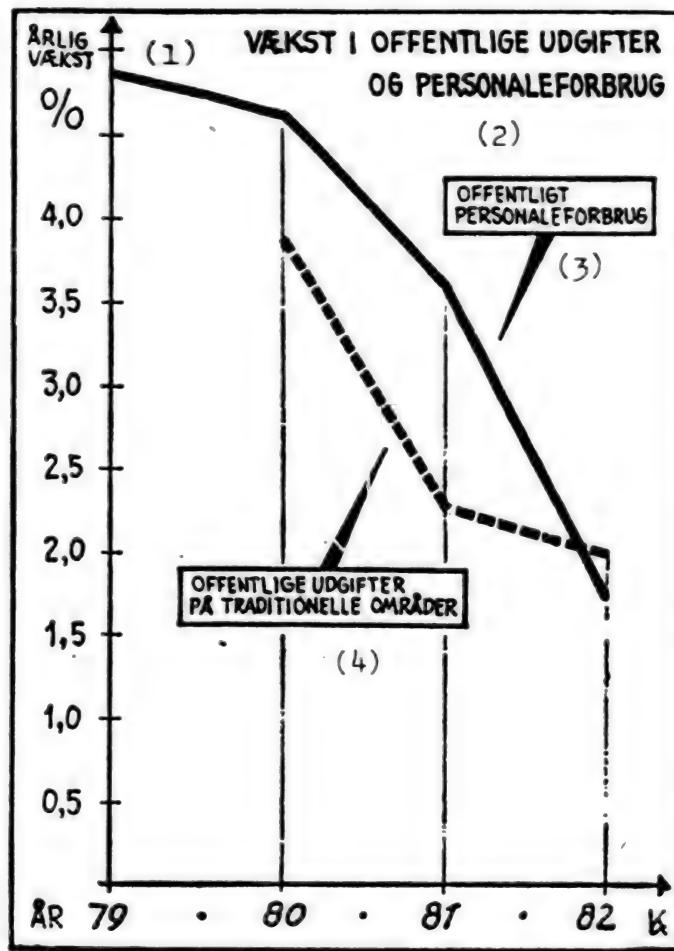
If the situation was such that the budget report had revealed any major increases in the expenditures within the traditional areas, I would have shared the concern expressed in BERLINGSKE TIDENDE. But, as is well-known, that is not the situation. The reality is--which further studies of the budget report will also clearly reveal--that the government's expenditure policy goals have been complied with:

We have year by year had a declining growth rate within the traditional areas, and

We have made a good and early start in respect of the investments which are necessary for the needed restructuring of the society.

That does not change the fact that it will be necessary to ensure a relaxation of the growth rate during the coming years. That is why we have just introduced an additional expenditure ceiling. And that is the reason why the government has also for 1983 requested the municipalities to effect a further decline in the growth rate.

For the sake of order, there might be reason to mention that, after the budget report went to the press, preliminary figures for the municipalities for 1981 became available. These figures show that the actual growth rate in the municipalities which was agreed upon to be 2 percent from 1980 to 1981 will probably only amount to about 0.5 percent. When the final figures eventually become available, it, therefore, undoubtedly, will turn out that the actual growth rates will be somewhat lower than the figures I have referred to above.



Key:

1. Annual growth
2. Growth in public expenditures and manpower consumption
3. Public manpower consumption
4. Public expenditures in traditional areas.

7262
CSO: 3106/121

PAPER CRITICIZES FINANCE MINISTER ON BUDGET HANDLING

Copenhagen BERLINGSKE TIDENDE in Danish 25 May 82 p 8

[Editorial: "Failure of Heinesen"]

[Text] The recently published budget report for 1982, BR 82, shows most clearly that the government and Minister of Finance Knud Heinesen are not in control of developments within the field of public expenditures. Whereas 12 months ago a real growth rate of approximately 3 percent was expected in 1982 in public expenditures--and, prior to that, an even lower growth rate was budgeted for--the budget report for 1982 now shows a real growth rate in 1982 of 4 percent over the previous year. And then it is, of course, just a question of an estimate on the basis of the available state and municipal budgets, and nobody will be surprised if the growth rate turns out to have been even higher when the final figures of the accounts become available.

According to the Minister of Finance, the development is the result of a so-called two-pronged expenditure policy. Its aim was ostensibly to bring about a slowdown in the growth in public expenditures at the same time as possibilities were to be created of "taking special structural policy and employment creating measures, to a limited extent" (quote from Budget Report 1981). In a statement by the government on the expansion of an economic action program of 7 April 1980 to remain in force for several years, it even said that the expenditures were to be directly reduced in a number of areas, while they were to be increased in other areas. However, it now appears from Budget Report 1982 that whereas the public expenditures for so-called structural improvements and emergency measures are expected to show an almost explosive real growth by 12 and 10 percent, respectively, in 1982, the real growth rate in the traditional expenditure areas will exceed 2 percent, measured in terms of fixed prices, approximately 1 percent of which for increased services. Altogether, an increased teacher-wage-hour-consumption per student is expected in the primary schools, and the standard wage drift continues at the nurseries and nursing homes. In the area of hospitals, the operating costs will increase appreciably as a result of the new salary agreement for physicians, and, if passed by the Folketing, the government's library bill will rapidly force up the costs of operating and constructing libraries.

It is both of the prongs of Knud Heinesen's so-called two-pronged expenditure policy which now must be said to have broken off. The fact that the minister continues to try to act as if everything is going according to plans does not

increase the creditibility of his and his government's efforts at governing the country.

There are now prospects of increased state deficits, of considerable increases in municipal taxes, and of a clear increase in state taxes, also beyond the proposals included in the so-called May package.

The slogan is from now on 'reorganization planning.' But there is no reason to assume that words like that might be able to change a development which so clearly is beyond the control of the Minister of Finance.

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CSO: 3106/121

HEINESEN: PUBLIC SECTOR CAN NO LONGER INCREASE JOB PLACES

Copenhagen BERLINGSKE TIDENDE in Danish 25 May 82 p 7

[Article by Lisbeth Knudsen]

[Text] It is not within the public sector that jobs may be found for some of the more than 257,000 people who are expected to be without jobs next year. The labor market of the public sector may, at a maximum, absorb a number of new employees equivalent to the annual influx into the labor market of 20,000, Minister of Finance Knud Heinesen writes in a new budget report. The report was submitted to the Folketing yesterday.

In order for the government's attempt to keep down the public expenditures to be successful without a simultaneously steep increase in the tax burden, it will not be possible to create the possibility of any growth in the number of employees within the public sector exceeding 20,000 in 1983 and 15-20,000 in the coming years, the Minister of Finance writes. The number of possible new employees includes apprentices and trainees, people who have been unemployed for a long period of time and young people who are unemployed within special employment schemes.

The subject of a major political debate has been that the many billions of kroner paid in unemployment benefits within the public sector might as well be utilized through direct recruitments within the public sector instead. In his report, the Minister of Finance undermines this theory very seriously. In his report it is established that even considering the high Danish level of unemployment benefits to the jobless, it costs money to expand the consumption of manpower within the public sector.

An estimate of the costs of creating new jobs within the public sector shows that it costs 50 percent more than the highest unemployment benefit rate and 125 percent more than cash relief for a jobless person to become employed within the public sector instead.

The Minister of Finance states that, in connection with the different employment creating arrangements, a pressure may arise from the public sector to maintain the number and wages of the employees as the arrangements expire. The budget report asks whether the limit for employment creating arrangements has not been reached with the implementation of the government's proposal contained in the so-called March package.

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CSO: 3106/121

HEINESSEN CONCEDES NEED TO CURB PUBLIC SECTOR GROWTH

Copenhagen BERLINGSKE TIDENDE in Danish 25 May 82 p 7

[Article by Lisbeth Knudsen]

[Text] Deficits within the public sector give us the biggest problems among the OECD countries.

The Danish economy has got such a serious structural problem in consequence of the enormous deficit in the public finances and the balance of payments deficit that it will not be possible to reduce the problem without a hitherto unknown firm treatment. Even if such a treatment is employed, it will probably take many years before the problem has been solved.

Minister of Finance Knud Heinesen gives himself this doomsday forecast for the Danish economy in a new budget report to the Folketing. He states that the public expenditures have got out of control in relation to the government's target, and that even a recreation of the high rate of employment can no longer solve Denmark's economic problems. He adds that, in the early eighties, Denmark has the largest balance problems in relation to the other OECD countries.

In the budget report, the economists of the Ministry of Finance have made a number of calculations of the future prospects for the Danish economy. The situation right now is the prospect of a continued increase in the deficit of the public budgets, which now, as far as the state is concerned, this year will pass the 51 billion kroner mark. It is the prospect of a continued increase in the balance of payments deficit by 3-4 billion kroner annually and a deficit this year exceeding 15 billion kroner.

The economists have presupposed an economic treatment in the coming years involving a strict limitation in the increase in public expenditure to 2 percent annually and an increase in the tax burden by 4 percent to 48.5 percent up to 1986. Even with these measures and a modest international upswing, there will be no prospect of a solution to Denmark's problems, and the unemployment rate will remain very high. The said measures must be combined with a sharp increase in the competitiveness, and that means extreme reluctance to demand wage increases in the upcoming collective bargaining.

If all of these initiatives become successful, there will, in the long run, be a possibility of restoring the Danish economy, the economists of the Ministry of Finance state. The Minister of Finance reports on the initiatives of the government during the past period and states that there will be no improvement in the competitiveness this year, nor any reduction of the balance of payments deficit. "As of 1983, there will be a need for new drastic measures to carry on the structural reorganization of the Danish economy," the Minister of Finance concludes his report by saying.

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CSO: 3106/121

PAPER ATTACKS PRIME MINISTER ON JOBS PROGRAM

Copenhagen BERLINGSKE TIDENDE in Danish 21 May 82 p 8

[Editorial: "The Destruction of Jobs"]

[Text] Both in his report to the Folketing last Wednesday and in his statement to the TV News program, Prime Minister Anker Jørgensen has pointed out that the government's desire for increases in excise duties to a total additional yield of approximately 4 billion kroner in 1983 is not tantamount to a proposal for a tightening of the fiscal policy. It is only a question of financing the measures to combat unemployment, improve the possibilities of education and increase the subsidies to agriculture which are not already self-financing, through cuts in the unemployment relief expenditures, the prime minister maintains.

It is hard to find much economic sense in these views. For if any appreciable increases in excise duties are carried through, this will presumably, in any circumstances, involve a tightening of the fiscal policy compared to the situation where the excise duty rates remained at their present level. At any rate, it is certain that this policy will ruin thousands of jobs within the private sector by forcing cuts in the private consumption and investments.

Opposite this destruction of jobs in consequence of the government's May proposal stands, then, the claim of the creation of new jobs by virtue of the effects of the so-called March package, especially the bill introduced in the Folketing on job creation. It is, however, in actual fact, quite uncertain to what extent this job creation arrangement will, in practice, lead to the creation of new jobs. In its comments on the bill, the Ministry of Labor has merely stated that in a "calculation" they have "assumed" that "within the framework of the arrangement" 15,000 full-year jobs will be created on an annual basis. One can hardly imagine a more vague and uncertain formulation of the estimate of the effects of a given policy on the part of the ministry which, otherwise, wants this policy to be adopted. The facts must then also be assumed to be that it is entirely uncertain how much more employment the adoption of the job creation proposal will bring about, viewed separately. If the probable competition distorting effect in relation to already existing private enterprises is taken into account, there is, however, not least on the somewhat longer view, reason to assume that the total increase in employment will be extremely limited.

The combination of the government's March and May packages, therefore, will mean a massive destruction of jobs and an uncertain creation of jobs, the scope

of which will be limited. For that reason, there is hardly any basis for the prime minister's claim that the adoption of the government proposals will create any more jobs, thereby making a valuable contribution to alleviating what he refers to as the crisis. The way the government proposals have been set up, the society would be better off if neither the March package nor the May package were adopted in the Folketing. That is how wrong and misleading the government's economic policy is.

7262

CSO: 3106/121

AS FOOT-AND-MOUTH DANGER EBBS, MEAT PACKERS TOTAL LOSSES

Copenhagen BERLINGSKE TIDENDE in Danish 20 May 82 Sect III p 4

[Article by Ib Christensen]

[Text] The slaughterhouses have lost 250 million kroner on the foot-and-mouth disease since the first outbreak of the disease in East Funen as a result of the extensive interruption of operations caused by the disease within the entire sector. There have been losses on meat stocks, declining meat prices and additional costs of cold storage for meat. This was estimated by Børge Kjeldsen, managing director, ESS-FOOD, which is the marketing organization of the slaughterhouses.

All slaughterhouses are expected to operate on a completely normal basis as of next Monday after the Council of Ministers of the EC has directed West Germany and Italy to lift all import restrictions in respect of Danish meat. The export from Funen could have been resumed yesterday, but ESS-FOOD wants first to find out whether the EC countries will comply with the decision by the Council of Ministers, so that Danish meat will be allowed to pass at the border stations.

ESS-FOOD expects, however, that the export will be resumed in the course of 10-12 days. "We do not want to run the risk either of provoking the other member countries," says Børge Kjeldsen. The resumption of the export to the big distant markets, such as the United States, Canada, South America, and Japan, on the other hand, may take a long time.

Børge Kjeldsen tells BERLINGSKE TIDENDE that it will be 4-8 months before the organization expects to resume its export of pork to Japan. At an international meeting of veterinary experts to be held in Paris in the near future, Erik Stougaard, director of the Veterinary Service, will discuss the possibilities with the Japanese director of veterinary service, who will, presumably, be invited to Denmark to examine the situation.

ESS-FOOD, furthermore, expects the American market to be reopened for Danish meat in about 12 months, at the earliest. Børge Kjeldsen, however, takes a fairly bright view of the possibilities of selling the Danish meat production in other markets, especially within the EC.

ESS-FOOD expects the other meat-exporting countries to aim the major part of their exports at countries such as Japan to fill in the vacuum in the demand there, rather than the EC, so that Denmark will get a chance to sell its meat production in the nearby markets. Børge Kjeldsen, managing director, therefore, does not believe that a prolonged export stoppage will necessarily come to cost the slaughterhouses an additional several hundred million kroner.

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CSO: 3106/121

GOVERNMENT FOLLOWING UNION: 39 HOUR WEEK FOR DENMARK, EC

Stockholm DAGENS NYHETER in Swedish 18 May 82 p 18

[Article by Thomas Jonsson: "Danish Government Follows Trade Union Confederation: Decides on Shorter Working Hours"]

[Text] Copenhagen--Monday. Shorter working hours in Denmark next year and within the entire EC by 1985: This demand will now be pressed by the Danish government, both at home and in a new strong position within the EC. The government has thereby made the policies of LO [Trade Union Confederation] its own.

One hour less per week on the job--from 40 hours to 39--has been confirmed by LO in Denmark as one of its main demands before the labor negotiations of the spring of '83.

LO is pressing this demand to save jobs, although shorter working hours mean less pay. In Denmark nearly 300,000 people are unemployed.

One hour less of working time per week should give 24,000 new jobs in Denmark during 1983, 149,000 new jobs between '83 and '87, according to estimates which were presented to the Folketing by Minister of Finance Knud Heinesen.

Gives Support

Now the social democratic government is making LO's demands its own:

"The gloomy employment situation makes it necessary to have a general shortening of working hours," said Minister of Labor Svend Auken in the Folketing on Monday.

He indirectly promised LO the government's support in the coming wage negotiations. In the "three-party negotiations" which the government wants in the autumn with the employers and LO, the minister is expected to speak out in favor of one hour less per week.

Denmark will also press the demand within the EC--with increased influence, since on 1 July Denmark will take over the chairmanship of the powerful Council of Ministers for the next 6 months.

The question has been discussed in the EC's permanent Employment Committee, where the labor ministers of the 10 countries meet twice a year with the European trade unions and employers.

"Perhaps we can agree on a political goal of shortening working hours by, for example, 1985," said the head of the international labor office, Niels Ole Andersen to DAGENS NYHETER.

Extra Vacation

The demand--in which Denmark expects support primarily from France and Belgium--will be advanced as a shortening of working hours.

"The member countries who so desire can then treat the shortening as an extra vacation week," said Jens Thomsen in the economic affairs department.

Thomsen and Andersen are members of a group of experts from the departments of labor, economics and foreign affairs which the Danish government has recently created to work out analyses and background material for the coming campaign for increased employment within the EC.

More questions than just shorter working hours will be raised, according to plans in Copenhagen.

These will include previously discussed investments in infrastructure, communications and energy management--and to carry out the goal of the Council of Ministers from last March, to be able within 5 years to guarantee all youths looking for employment either technical training or basic working experience.

One hour less working time per week would give less pay--but at the same time an unchanged balance of payments, if the value added tax is used as a means of control, according to Minister of Finance Heinesen.

Shorter working hours give lower private consumption, and less chance to strengthen the competitive power of Danish industry against foreign countries, according to the Danish employers' confederation which supports the government economists on the Economic Council. The employers reject the LO demand.

Unions on the continent are largely in agreement over shorter working hours. Now it looks as though the subject is also going to be considered in government circles of the EC countries.

The Swedish LO--and more exactly the TCO [Central Organization of Salaried Employees]--is now almost unanimous with the other Nordic countries on the negative side against shorter working hours. In Sweden the LO believes that it is a defensive step which would be to the advantage of the employers, and have no advantages for the workers.

9287

CSO: 3109/166

LAHNSTEIN ON BUDGET, TAX, ECONOMIC PROBLEMS

Hamburg DER SPIEGEL in German 24 May 82 pp 35-44

[Interview with Finance Minister Manfred Lahnstein by DER SPIEGEL about taxes, the budget and economic trends: "'Exceedingly Little Scope for Anything New'"]

[Text] SPIEGEL: Mr Lahnstein, you are the only member of the cabinet who was not elected to the Parliament. There was some opposition to your appointment in the SPD. How do you account for the fact that the Federal chancellor put you, of all people, in the politically most important cabinet chair?

Lahnstein: Let us leave open the question as to whether it is the most important chair. A number of really good solutions were feasible. There probably were two factors in my favor. I am not new to the field, and I have worked closely with the chancellor for a considerable period of time. I also know him well personally.

SPIEGEL: You and Helmut Schmidt are on the same wavelength?

Lahnstein: It certainly is true that I am familiar with the chancellor's idea of what a finance minister should do in these times. And of course that need not be a disadvantage.

SPIEGEL: You have to keep the treasury in order and contribute to maintaining the coalition. Does the chancellor expect you to do any more?

Lahnstein: A finance minister definitely is charged as well with shaping economic and social conditions at home and abroad. He must not just administer. But he can shape things only if he has ensured a solid base at home. That means that for a start the classic governmental tasks must have been properly discharged.

SPIEGEL: Is it possible for Finance Minister Manfred Lahnstein to do more than discharge the classic governmental tasks in this legislative period?

Lahnstein: As for the budget, as a minimum, there has to be somebody who keeps the funds together. And that is what I want to concentrate on thoroughly. However hard one may try, there will be exceedingly little scope

for anything new there in the next couple of years. Anything else would be unrealistic.

SPIEGEL: Your predecessor, Hans Matthoefer, set himself higher aims when he assumed office. He wanted to modernize the economy with his fiscal policy and secure German employment with the help of technologies pointing to the future.

Lahnstein: If there were more room in the budget, my thinking would be exceedingly close to Hans Matthoefer's. In that case I would make efforts to increase the investment expenditures in the Federal budget--concentrating on future-oriented things. Only, the prerequisite for that is available funds. Hans Matthoefer assumed office before the second oil crisis. At that time the world still presented a different picture.

SPIEGEL: Politics can also consist in causing changes. Apparently you prefer constraints. So a climate of new enterprise, a new high for the coalition presumably is not to be expected?

Lahnstein: Under no circumstances do I want to create a climate of new enterprise by creating the impression that I have put on my spending clothes. Available funds must come via the income column of the budget ledger.

SPIEGEL: Available funds also come via a reduction of expenditures.

Lahnstein: First of all, via income. The large blocs on the expenditure side are fixed to a great extent. I cannot arbitrarily change interest expenditures, I cannot arbitrarily change personnel expenditures, I cannot change our payments for unemployed. I cannot arbitrarily change other social payments. I cannot arbitrarily change defense expenditures. Everywhere only small variations are possible--with an income cover which is too tight as it is.

SPIEGEL: You talk as if everything were predestined.

Lahnstein: Just look at the about DM 14 billion which annually go from the Federal budget to the Federal Railways--almost a paradigm for your deliberations. Do you want to suspend payments to railway pensioners? One can think about changes, but we need time to implement them. Since we are hopeful of winning the 1984 election, we may have time for that.

SPIEGEL: With the FDP?

Lahnstein: Of course with the FDP; I do not see an absolute majority for the SPD in 1984.

SPIEGEL: Surely you at least ought to reveal how you propose to set the switches in order to regain some breathing space in the next few years.

Lahnstein: Why don't you wait for the budget address in September. That is precisely where I propose doing so. But now I do not yet want to talk about details.

SPIEGEL: You have said on several occasions that an "adequate real growth" is the prerequisite particularly for solving the employment problems. Even if a growth of more than 2 percent is reached, the number of unemployed rises by 200,000 a year because of the pressure on the labor market by new high-birth-rate personnel.

Lahnstein: You are right as far as our problems on the labor market are concerned. But that is no argument against growth. Without growth the problems become even bigger. I have my doubts, though, as to whether our demographic increase can be solved only through growth. I mean: Even if I approach the problems with a rate of growth of 3 percent in real terms (which already is really quite ambitious), I reduce the difficulties on the labor market, but I don't see how I can eliminate them solely that way. In other words, we will continue to have a considerable level of unemployment for a number of years. This, however, is true only of a transitory period of 6 or 7 years. In other words, we need solutions which get us over this hump.

SPIEGEL: Such as?

Lahnstein: There are two headings which have played a role at the SPD Congress in Munich and have been addressed in the annual economic report: earlier retirement and better qualification of juveniles and unemployed.

SPIEGEL: Precisely training and advanced training takes money which the Federal Labor Institute does not have.

Lahnstein: It would be shortsighted to assume that the state is in a position to guarantee every young person a training vacancy through governmental efforts. The immediate responsibility for this lies with the industrial sector. I am definitely willing to help there with whatever funds I have. Some things we have now achieved with the joint initiative. But let me repeat: Every mark that I would love to put into professional training, I have to take away somewhere else.

SPIEGEL: Is that what you are going to do in the coming budget consultations?

Lahnstein: I am not conducting any budget negotiations here. But I am glad to say this: My heart is in the qualification of young people, and I do consider it a bad thing for young people not to receive any training after they complete their general education.

SPIEGEL: Every year we witness the same game: the finance minister assumes too small a number of unemployed, and a supplementary budget--as is happening now--has to finance billions through increased indebtedness. How about using those billions for public investment programs and thus fighting rather than financing unemployment?

Lahnstein: If only the world were as simple as that! In the Federal Republic of Germany the infrastructure of the public sector is excellent in almost all areas. There are a couple of areas that one can talk about--

investments in protection of the environment and expansion of the remote-heating grid. But if I promote that, I don't solve my employment problem by doing so. The people who find work in expanding this public infrastructure do not happen to be often unemployed. No, the task of fiscal policy is much more difficult. It must contribute both to overcoming unemployment and to coping fiscally with existing unemployment.

SPIEGEL: The SPD at the Munich party congress, as well as the DGB [German Labor Union Federation] Congress now in Berlin, declared the state to be responsible for full employment...

Lahnstein: ...It makes only about 15 percent of the total investments, while 85 percent comes from the private sector--a proportion which is not going to change significantly. Jobs therefore need to be created primarily through private investment. The state has to make a twofold contribution. For one thing it supplies the 15 percent, and for another it creates the public infrastructure without which the 85 percent cannot unfold in the first place.

SPIEGEL: There are Social Democrats who are considering raising these 15 percent.

Lahnstein: I do not consider it my job to increase the 15 percent to 18 in order to reduce the 85 percent to 82. That would be nothing but redistribution of deficiencies. The job is to make the pie bigger.

SPIEGEL: And in the private sector?

Lahnstein: When things go uphill there, the state can come up with more as well.

SPIEGEL: Surely the state also exercises an influence on private investment. The SPD has been demanding for years that the state providently intervene--for instance, with development plans--in order to prevent slumps.

Lahnstein: Leaving aside any ideological contributions to this debate, one is left with the fact that our structural policy has not been all that bad in the past 30 years. And, of course, it anticipated developments--for instance, in transport, in the energy sector, in the postal service.

SPIEGEL: Do you have any sympathy for the fact that the Social Democrats, embittered about the FDP, tried in Munich to dissociate themselves from the coalition partner and to point out a Social Democratic way of their own?

Lahnstein: Embitterment would be the worst possible political adviser. All that has been done by way of practical structural policy in the Federal Republic of Germany since 1969 has been developed by both coalition partners.

SPIEGEL: The chancellor expects you to strengthen the coalition. That means that Hans-Dietrich Genscher has to be kept in a good mood. The first test is the consultations about the supplementary budget and the 1983 budget. You lack more than DM 10 billion for next year. How do you intend to avoid

the kind of row that occurred last year, which this time in all likelihood would mean the end of the coalition?

Lahnstein: If you say that my job consists in strengthening the coalition, you are absolutely right, because we came before the public with this coalition in 1980. If you reduce it to the more than superficial formula that someone or other has to be kept in a good mood, that is your affair. It is not a proper description of the coalition. And it certainly is not the right way to describe my job.

SPIEGEL: But a good mood stabilizes a relationship.

Lahnstein: There is far too little in the way of a good mood in Bonn. But that is not the same as keeping someone in a good mood. As far as 1983 is concerned, we can assume that, economically speaking, the scene in the Federal Republic will definitely improve in 1983 as a result of growth, a strong deutsche mark, and a high degree of price stabilization. Unfortunately the finance minister is of little help to start with because in the early phase of an upswing unemployment is not reduced as yet, any more than there is as yet a change in taxes based on profit. So, despite positive economic forecasts, my fiscal prerequisites are not exactly brilliant. This means that I must keep in mind the danger of a continuing very high deficit--too high a deficit, in my opinion.

SPIEGEL: How do you intend to cover it?

Lahnstein: This year, with the pending supplement, we will end up with new indebtedness to a tune of DM 30 to 35 billion--probably closer to 30 than to 35. That is not the kind of deficit on which I would like to base the government draft of a 1983 budget. It is too high. In 1983 I want to get below 30 billion again, and of course I have to include in my calculations the fact that in all likelihood I will need a supplement next year as well.

SPIEGEL: And how do you intend to do that without jeopardizing the coalition?

Lahnstein: Well, why don't you take a look at the current budget, for a start?

SPIEGEL: It provides for small rates of increase, which the defense minister for example considers entirely unrealistic.

Lahnstein: All right. Even if I keep the budgets tight, even if on the other hand I assume that we can count on a considerable Bundesbank [central bank] profit in 1983, I still can't make it. The result is that subsidies and payment laws will have to be looked at in 1983 as well. I don't find myself in a situation where one can manage solely by means of the budget procedure or by means of increasing income, or both. In addition we have to make changes in our legal obligations.

SPIEGEL: In what amount?

Lahnstein: I won't tell you as yet.

SPIEGEL: Ten billion? We cannot see a single item of expenditure which has not been endlessly bandied about in the coalition in the past few months. We cannot see a single item of any relevance that has not been blocked by the veto of one side or the other. Where do you intend to economize?

Lahnstein: If substantive proposals were to be made here, at the wrong time, they would be torn apart, tattered, made taboo and blocked for weeks on end. I will therefore say nothing here either about the amount or about substance.

SPIEGEL: Perhaps about method, though. In the past this is the way things went: The Free Democrats were prepared to cut catering expenditures but only provided the Social Democrats also cut the tax-free subsidy of DM 1.50 for canteen consumption. Both was prevented. How do you intend to solve this?

Lahnstein: Assume, for a moment, that everything which used to be lashed down becomes the subject of deliberations again. There are three points of departure--financial aid on the expenditure side, tax relief on the income side, and transfer payments. I want a balanced, socially balanced concept. And such balance can be achieved only if one is prepared to take a look at everything.

About one thing, however, I cannot and must not lie to the people: what I lack in the budget, I cannot solely get from the millionnaires. But I cannot get it at all unless I also get it from the millionnaires, because otherwise the matter cannot be accomplished politically. If that succeeds, you will be amazed at the extent of the people's consent. People have a sound sense for the needs of the hour. They have no sympathy at all for sizable groups of the population being exempted from these efforts.

SPIEGEL: So far, it turns out, it has not been possible to see to it that such a plausible procedure is implemented.

Lahnstein: Why don't you wait for the 1983 government budget draft?

SPIEGEL: When will it come out?

Lahnstein: We have two dates. First there is 16 June, when the 1982 supplement will have to be submitted as a complete draft to the cabinet but when the main amounts for the 1983 budget are also to be decided. And there is 7 July, when the 1983 government draft, together with all that is part of it, will have to be available in every detail.

SPIEGEL: The CDU/CSU has refused to raise the value-added tax to 14 percent, but you need this rise, which was supposed to be used as of 1984 for offsetting the reductions in the wage-and-income tax. Are you adhering to the 1984 tax reform nevertheless?

Lahnstein: It remains the intention of the coalition to tackle two problems as of 1984. The one problem is this: How can we prevent taxpayers, particularly workers, from becoming subject to tax progression too fast or to an excessive degree? The other problem is a shifting within our tax system which becomes necessary again and again from time to time for the very reason that the wage-and-income tax--in other words, taxes relating to a high degree of performance--grows far faster than almost any indirect taxes, such as the turnover tax.

SPIEGEL: Are you sticking to the plan to raise the value-added tax as of 1984 so as to be able to lower the income tax?

Lahnstein: It is my aim. The crucial question no longer is what the coalition wants. That's obvious. The question is: Will the CDU/CSU agree to such a shift?

SPIEGEL: Everything that might blow the coalition apart in the next few months falls within your sphere of responsibility. What chance do you think the coalition has to survive this summer?

Lahnstein: Until summer we have three interconnected operations. The joint initiative has been just about concluded; we managed that without any confrontation between the coalition partners. The second item (I am now proceeding chronologically) is the 1982 supplement. If you read carefully what leading representatives of the coalition have said about that in the past 2 weeks, you will have no trouble realizing that this will not turn into any serious stress test for the coalition either. The real point where the two will have to tackle each other is the 1983 draft. I have told you with due caution, roughly how I see the overall conditions for that 1983 draft.

SPIEGEL: We would have preferred to learn in greater detail just how you intend to accomplish it.

Lahnstein: On that basis the draft will have a good chance of being ready as a government draft on 7 July. That would then indeed be a contribution to stabilizing the coalition, which I consider to be the most sensible of all imaginable coalitions in Germany not only for today but over the long term. Then it will not yet be all over, but we will have to draft the 1984 budget and come up with the tax relief. If we can avoid the beginnings of another summer spectacle about that this year, we will have accomplished a great deal.

SPIEGEL: Assuming that both partners will also want to remain in the coalition after the pending elections in Hamburg and Hesse.

Lahnstein: That I assume to be the case. You must not overlook the fact that there are also points in favor of the coalition. First, the difficult problem of employment aside, the economic indicators are improving. And secondly, in foreign policy not only the basic position of the coalition is

fairly uniform, but our partners in the world are increasingly ready to acknowledge our position as reasonable and moderate. That will be shown at the economic summit in Versailles, and that will be shown at the NATO summit in Bonn.

SPIEGEL: The coalition is holding together?

Lahnstein: It is holding together.

SPIEGEL: Thank you for this interview, Mr Minister.

8790

CSO: 3103/483

POSSIBLE DEVALUATION OF FRANC COMPARED WITH DOLLAR, MARK

Delors' Statement; Commentary

Paris LE FIGARO in French 24 Mar 82 pp 1, 11

[Article by Antoine-Pierre Mariano]

[Text] The following is the text of the communique published yesterday by the Ministry of Economy and Finance:

"Amid circumstances marked by a strong rise in the value of the dollar compared with all other currencies, the European Monetary System [EMS] is faced with the dual concern of not worsening the recession and of strengthening solidarity among European currencies. This is the significance of the various measures taken by the member countries of the EMS.

"This means that all bearish speculation relating to the franc is doomed to failure. In fact, European monetary cooperation provides for mechanisms of assistance and reserves adapted to this type of situation. France plans to take full advantage of these means, particularly since nothing justifies a new readjustment of the parity of the franc.

"Concerning the competitiveness of our enterprises, this is assured with regard to all currencies and, even beyond that, with regard to the dollar, for example.

"As for the development of our economy, this is showing favorable signs in all areas.

"With reference to a surplus for 1983, the President of the Republic has confirmed that the public deficit will not exceed 3 percent of the GDP.

"For these reasons, the present parity of the franc should be maintained and will be defended, if need be by resorting to the very real possibilities for assistance offered by the mechanisms of the EMS."

The market value of one currency in relation to another is determined each day in terms of the oldest law of economics: the law of supply and demand. And it is obvious that if a currency declines, those who are holding it want to get rid of it. If they want to get rid of it, it is because they have lost confidence or prefer another, more attractive investment; this investment can be another currency, gold, or a completely different commercializable material or product. Except for this obvious truth, all explanations are invalid.

To avoid excessively broad fluctuations among their currencies, European countries have created the EMS. In this system there is a regulation which stipulates that currencies should vary only 2.25 percent up or down from a central parity. Thus, at its central market value, 1 mark is worth 2.56212 French francs. According to the EMS regulation, the mark cannot rise to more than 2.6205 francs. This market value was reached yesterday for the first time.

Still in keeping with EMS rules, when a currency falls to its lowest market value, the country's leaders must intervene: this intervention may be in the form of purchases of its own currency to sustain the market value; but it can also be an increase in interest rates in order to attract capital into the country: lastly, it can be a change in economic policy.

At present, the situation could not be more simple: the franc is at its low point in the EMS, and Jacques Delors has just affirmed that he expects to use all means at his disposal to defend the parity of the currency.

The minister of economy's back is to the wall. And his statement of yesterday impressed some observers as being a poker strategem: either it will help to discourage speculation, which is highly desirable, or, on the other hand, the markets will not believe it, and then the franc will again be attacked with all the troublesome consequences which that can involve.

It is difficult to foresee the reaction of the exchange brokers. For example, yesterday, when we expected to see the franc correct its excesses of the previous week, things deteriorated drastically during the day. Market specialists gave several explanations to justify this phenomenon.

First, confirmation of the victory of the opposition in the district elections.

But also a series of technical factors. Jacques Delors is continuing to claim that the situation of the French economy is improving. That is not at all the opinion of private experts. Some examples? In February, the rise in prices was 0.2 percent in Germany and the United States and 0.0 percent in Great Britain, compared with 1.0 percent in France. France's foreign trade piles up deficits upon deficits, while Germany is abounding in surpluses.

Finally, yesterday morning's publication by the Ministry of Labor of the hourly wage rate for the fourth quarter of 1981 influenced the exchange markets unfavorably: this rate shows that the progression in compensation did, in fact, increase during the last months of the year (4.1 percent, compared with 3.9 percent during the previous quarter); this is a supplementary factor for an increase in prices.

The markets now will give their diagnosis.

Paris L'USINE NOUVELLE in French 1 Apr 82 p 57

[Article by Francois Roche]

[Text] Although the reevaluation of the mark with regard to the franc may result in an improvement in the trade balance, that of the dollar, on the other hand, will be a serious obstacle in the battle which the government is waging against inflation and competition.

A number of reasons explain the new weakness experienced by the franc in recent weeks, among which the results of the district elections--disappointing for the government--are but one element among others. The lack of confidence on the part of international operators with regard to the franc can be traced in particular to what is called the "inflation differential" between France and its trade partners and the uncertainties with regard to the real extent and the financing of the budget deficit.

From a price standpoint, the slowdown in the rate of increase over the last 3 known months (December 1981, January and February 1982) is real: 10.8 percent compared with 12.5 percent for the same period last year. However, the spread between France and the FRG is widening: an increase of 0.2 percent in February on the other side of the Rhine, 1 percent for France. With regard to the budget deficit, the admonitions of Francois Mitterrand and Laurent Fabius to ministers who were being too extravagant succeeded in comforting international financiers in their fears with regard to the size of the "gap": from 95 billion initially forecast for this year it could, in reality, hover around 140 billion. As for 1983, the figure of 200 billion suggested here and there does not appear at all fanciful. Under these conditions, depreciation of the franc is unavoidable, just as a new devaluation will be, since the franc is still notoriously overvalued in comparison with the mark.

Over the short term, the weakness of the franc is causing a new rise in interest rates. For example, within a few days the money market rate went from 14.25 to 18 percent, which leads one to question the development of the banking base rate, still at 14.5 percent as we were writing these lines. And over the medium term?

In theory, the devaluation of our currency involves two types of results: an increase in import prices, bringing with it an increase in consumer prices and the cost of intermediate consumption. On the other hand, the depreciation of the franc could have beneficial effects on the competitiveness of enterprises in the foreign markets and therefore could bring back a certain resumption of activity.

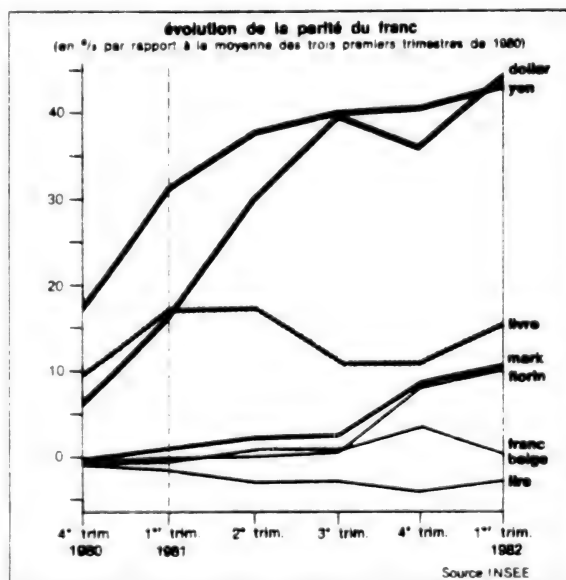
As a matter of fact, the results of the depreciation of the franc are completely different, according to whether one considers the franc/dollar relationship or the franc/mark relationship. This is precisely what came to light in a study made for INSEE [National Institute of Statistics and Economic Studies] by Michele Debonneuil and Henri Sterdyniak.

The Consequences, in Theory and in Fact

The present decline in the franc compared with the American currency is increasing the price of our imports of raw materials (two-thirds of industrial raw materials are quoted in dollars), of energy products, and of agricultural raw materials (65 percent of which are invoiced in dollars). According to INSEE, each 10-percent rise in the dollar in relation to the franc causes an increase of 10 percent in the prices of imported energy, 6.6 percent in the price of raw materials, and 6.5 percent in the price of agricultural imports. A total supplementary cost of 27 billion 1981 francs per year. On the other hand, a 10-percent rise in the mark causes only a 1.5-percent rise in agricultural products, or less than 1 billion 1981 francs per year.

The fact that the franc is declining especially against the dollar involves another consequence with regard to the competitiveness of French enterprises abroad. The U.S.-Japanese group represents only 17 percent of the overall competition with which French industrialists are faced, whereas the FRG-Netherlands group represents 26 percent; this clearly signifies that a decline in the franc in relation to the dollar is less advantageous for French industry than a decline of the franc against the mark.

Thus, an appreciation of the dollar in relation to the franc risks destroying the efforts of Jacques Delors to limit price rises in France. In the example given by INSEE, the changes are clear: each 10-percent reevaluation of the dollar in relation to the franc results in a 4.4-percent rise in import prices the first year and a decline of 0.6 percent in the gross surplus of the exploitation of enterprises. On the other hand, a 10-percent rise in the mark causes only a 1.2-percent rise in import prices and, because of improved competition, brings with it an increase of 0.1 percent in the gross surplus of the exploitation of enterprises.



- Key: 1. Change in parity of franc (in percentage compared with average of first three quarters of 1980)
- | | |
|-------------------|---------------------------|
| 2. Dollar and yen | 4. Mark and florin |
| 3. Pound sterling | 5. Belgian franc and lira |

Undoubtedly there is only one model to follow, with all the limitations this implies. But the lesson to be learned is clear: French industry lives better with a weak dollar and a strong mark than the reverse. To quote the authors of this study: "The reevaluation of the mark results in a rapid and lasting improvement in the trade balance; that of the dollar results in a continually deteriorating situation. A rise in the value of the mark has almost no effect on prices; a rise in the value of the dollar results in an increase in the rate of inflation."

Dollar Still the Key to the Problem

It so happens that we are in the most unfavorable situation. Compared with the average of the first three quarters of 1980, the dollar appreciated 44.1 percent with relation to the franc, compared with 9.9 percent for the mark. Here lies the key to the problem. The prospect of a new devaluation of the franc within the EMS is therefore not serious, at least on the technical level. On the other hand, in 1982 the dollar should hardly fall below the 6 franc barrier. A serious obstacle in the battle the government is waging against inflation and the foreign debt. And the new exchange control measures Jacques Delors has just taken (repatriation of foreign currency by exporters within 15 days, French investments abroad) will not profoundly change the course of events.

8568

CSO: 3100/547

BRIEFS

CREUSOT-LOIRE, BRAZIL CONTRACT--A new contract for electromechanical equipment has been signed in Sao Paulo between CESP (Electric-Power Stations of Northern Brazil) and a group of Brazilian and French manufacturers led by Mecanica Pesada (Brazilian subsidiary of Creusot-Loire). This equipment, which is intended for the Tres Irmaos hydroelectric power plant on Rio Tete in the state of Sao Paulo, includes, in particular, eight Francis-type sets with a total power of 1,300 MW. The energy from this power plant will be used essentially for the state of Sao Paulo's electricity supply. The French part is for Fr 400 million. It is led by Neyrpic and includes provisions not only for companies of the Empain Schneider group (Jeumont-Schneider, Spie-Batignolles and Thermatome) but also for companies of the CGEE [General Electrical Equipment Co] group (Alsthom-Atlantique and CGEE-AT [expansion unknown]). [Text] [Paris LES ECHOS in French 18 May 82 p 11] 11267

POSSIBLE CIT-ALCATEL, THOMSON PLAN--There is a great commotion in French electronics because of the plan that the government wants to set up before the beginning of summer. Data-processing, electronic components, office systems, telecommunications--everything is involved. And detailed review of it is stirring a lot of ambitions in the various nationalized groups. CII [expansion unknown]-Honeywell Bull declares unequivocally: "We must be present in office systems." Here is a competitor for the CGE [General Electricity Co], which cannot be lacking in ambition because it has competencies and--what is rare these days--financial resources with which to take them on. So that the CGE would not be sorry to take a definitive position as the national leader in the telephone--the electronic telephone, of course, since its order book and international-deliveries book exceed 8 million lines, which indisputably makes it the world No 1. But Georges Peberau knows that it will be necessary to go farther, at a time when the Japanese and the Americans, in particular, are beginning to master better a system in which France has taken a serious lead, thanks to CIT [Industrial Telephone Co]-Alcatel. Why not, then, bring about a Franco-French union between CIT-Alcatel and Thomson-CSF [General Radio Co]? All the more so because the latter's financial situation is not rosy, with very big losses in the telephone field. The stock brokers are not deceiving themselves: the prices of CSF are dropping very fast. A fine opportunity for the CGE to fulfill an old dream: to get Thomson's telephone business. Pierre Chavane, one of the right-hand men of Georges Peberau, is said to be the one trying to pass the message. He is a shock-trooper, a former Thomson man who has gone into the CGE. [Text] [Paris LA LETTRE DES ECHOS in French 3 May 82 p 4] 11267

MAUROY'S WEEKLY ECONOMIC MEETINGS--An economic council of war is now meeting on Friday morning every week, with Pierre Mauroy in charge. It brings together most of the ministers whose portfolios involve economics: Jacques Delors and Laurent Fabius, of course, but also Jean-Pierre Chevenement, Nicole Questiaux, Edith Cresson, Michel Rocard and Pierre Dreyfus. [Text] [Paris LA LETTRE DES ECHOS in French 10 May 82 p 3] 11267

CSO: 3100/690

ANALYSIS, SPECULATION ON ECONOMY'S FUTURE PRESENTED

Athens BUSINESS & FINANCE in English No 192, 1 May 82 pp 4-5

[Text]

It has been the contention of this journal that the directions of economic policy laid out by the present government are not the right ones if the economy is to get out of the recession and inflation spiral that it has been faced with. Slumpflation is not, of course, a new phenomenon. The novelty as far as Greece is concerned lies in the fact that the attempt to cure it demands a much larger share for an already big public sector. The recent announcement regarding the targets of monetary policy for the current year provides ample proof that this is indeed the case. Thus Greece shares with Mitterand's France the somewhat dubious distinction of being the only other country in the Western World that is trying to inject the economy with a healthy dose of good old-fashioned Keynesianism in order to get out of the slumpflation that is plaguing it.

In spite of rather clumsy government efforts to the contrary, most knowledgeable people would now agree that the scenario with the greatest likelihood of occurring in this country is roughly the following: the expansive monetary and fiscal policies that have been introduced will feed inflationary pressures, the recession notwithstanding. Production will not show any significant signs of improvement, simply because internal demand will not increase to any appreciable degree. According to this view, the rises in money-wages will not be enough to compensate for the increase in prices and, as a result, most firms will tend to treat any pick-up in economic activity as a strictly transient phenomenon to be met out of existing stocks and such increases in production that do not necessitate any investment. With labor costs already high and the cost of imported raw materials rising as well, also because of the devaluation of the drachma, this means that even if there is a rise in demand prices will go up right away. Further, the investment hiatus is expected to continue for all the reasons that have been mentioned already, as well as for some more that are discussed elsewhere in this journal (see pages 6&7).

The balance of payments provides the other major problem in this scenario. Of this our readers have already been apprised, but the latest figures for the months of January and February just released by the Bank of Greece, after a somewhat significant and inexplicable delay, show that these fears are rather well founded. At a time when oil imports

went down by 17%, the deficit in the balance of trade went up by 31.6%, the largest such increase in the last six years. On these grounds alone one may be justified in believing that the likely year-end deficit may well reach \$9-10 billion, especially since, traditionally, the balance of trade deficit for the first two months of the year invariably accounts for between 13% and 15% of the total yearly deficit. Inevitably a lot of attention will be paid to the invisible earnings which, once again, will be expected as the "dei ex machina" to come to the rescue of the country. Unfortunately, however, this may not occur this time round. Though tourist receipts may be helped by the fall in the foreign exchange value of the drachma, shipping and immigrants' remittances should not bring in any additional foreign exchange over last year's level. The world economic and shipping crisis are to be blamed for this, but the fact still remains that a 7% improvement in the invisible account balance should be regarded as a victory of sorts. Under these circumstances the country should consider itself lucky if it manages to end up with a current account deficit of the order of \$4 billion to \$4.5 billion.

At a time when oil imports went down by 17%, the deficit in the balance of trade went up by 31.6%, the largest such increase in the last six years.

If these developments in the balance of payments do occur, then the government may be forced to change directions in the course of the year. With production stagnant, inflation on the go and the external position in shambles, both fiscal and monetary policies may have to become restrictive. Currently on the fiscal side budgeted expenditure is calculated to go up by a hefty 32% and the public sector deficit will supposedly stay at 12% of GNP, though this rests on the assumption that government income will go up by 51% (after the receipts from the Common Market have been taken into consideration). This expansionary stance on the fiscal side is complemented by a similar position on the monetary side. According to incomplete figures just released by the Ministry

of Coordination total funds available in the economy in 1982 will increase by 580 billion drs., a 59.77% rise. Of this total, however, the public sector will absorb 330 billion drs., or 57% of what the monetary authorities will allow, while the private sector will get only 250 billion drs., an increase of 48.44% as compared to the previous year. Yet, while in the period 1980-1981 the increase in the public sector funds was only 9.5%, this year the increase is an unbelievable 69.23%.

Thus we see that two are the major developments that characterize this year's monetary policy. One, the impressive rise in the availability of funds. Two, the increase in the relative importance of the public sector. Under these conditions the private sector once again may be faced with the familiar "crowding out effect," especially since the funds available through the private banking sector will reach only 95 billion drs. — an increase of 18.75% as compared to 1981. In the previous 1981-1980 period the rate of increase had been 31% and yet private enterprises still smarted under the lack of funds and the resultant cash-flow problems, which in the end have a negative impact on production itself.

. . . rumors about a rift between the Governor of the Bank of Greece C. Arsenis and the Minister of Finance E. Drettakis abound.

In the meanwhile, rumors about a rift between the Governor of the Bank of Greece C. Arsenis and the Minister of Finance E. Drettakis abound. Governor Arsenis is said to disagree with the fiscal directions set out by the Minister, especially since the Bank of Greece does not have the traditional independence that other European central banks do. This in effect means that Arsenis has had to accept as given large parts of the monetary program and that he is unable to do a "Vocker" or an "Emminger." In spite of all that has been said and rumored until today, it now looks as if the so-called realists in the Papandreou government have not had such a field day after all. Slowly and inexplorably the more dogmatic side of the Party is winning some very impressive victories, as both the Budget and the monetary program have demonstrated.

The present balance of power, however, is not expected to alter for some time yet. The economic situation does preoccupy the Prime Minister more than anything else, but the moment to act is apparently not now. According to some of the more Machiavelian scenarios that have been going around the Prime Minister is waiting for the time when the fruits of the present policy will show how lean they are and he will then combine the change in the administrative structure of the government with changes in the personnel in attempt to combine the change in policy with a more harmonious working environment and a more streamlined machinery.

GOVERNMENT'S ECONOMIC POLICIES SEEN NOT FRUITFUL

Athens BUSINESS & FINANCE in English No 193, 8 May 82 p 7

[Article by George Ventry-Canning]

[Text]

The government has got itself into hot water with the General Confederation of Labor over some modifications introduced to Law 825, which affect pensions to be paid out by the National Social Insurance Organization (IKA). According to these modifications, IKA pensioners apparently will not receive a uniform increase in their pensions based on the cost-of-living index. Instead, the increases will be scaled from 5% for those in receipt of the higher pensions to 27% for those in the lowest pension brackets. A uniform 32% increase had originally been promised.

This scaling of the increases comes despite the fact that those entitled to higher pensions have been paying the proportionately higher contributions, and have done so for the greatest number of years. This is leading to a position wherein pensioners who have paid in less and have worked for fewer years will end up with higher pensions than the higher contributors for more years. Needless to say, this is stirring up a hornet's nest among a broad section of the population and is being exploited politically from every angle.

It all reflects back to what was written in last week's issue about an unseen power struggle gradually taking shape in the ruling party between the "rationals" and the "radicals".

It looks more and more, as the weeks go by, that the tacitly agreed post-election truce in industrial relations is being allowed to lapse.

While all this is in the melting pot, the situation is not being helped by an announcement that the quarterly cost-of-living adjustment promised to workers as of May 1

will not be implemented until the end of June. Of course, the mistake was to have promised the adjustment in the first place on the dates specified, i.e. May 1, September 1 and January 1. Obviously it is technically impossible to have the April 30th cost-of-living index figures ready on May 1 and equally impossible to make the corresponding adjustments to pay packets, insurance contributions and P.A.Y.E. retentions on the same date. It was therefore explained to the workers that when the adjustments are made at the end of June, they will be retroactive to May 1. However, it is not easy to make suspicious workers see reasoning of this kind, and so there is more grumbling.

The fact that prices, especially those of foodstuffs, are still rising rather sharply is adding to the general discontent. It was inevitable that they should rise, and so will the prices of other things and services take a fresh upward turn because the first effects of the new higher taxes are only just beginning to make themselves felt.

In some respects, higher taxes have begun to boomerang. Real estate agents throughout Greece, but more so in the Athens-Piraeus area, report a dramatic fall in all transactions in real estate, whether buildings or just land. The drop in turnover exceeds by a high percentage the maximum increase in taxation so that already the Exchequer may be losing millions of drachmas in revenue daily, the attempts of the Finance Minister to catch tax evaders in the Athens Central Market notwithstanding. A case of killing the hen that laid the golden egg.

CSO: 4600/499

BRIEFS

EXPORT STATISTICS--According to the data of the Bank of Greece, exports of the most important agricultural products during the period from January to October 1981 totaled \$613.1 million, while total Greek exports amounted to \$3,915.7 million. The corresponding figures for the same period of 1980 were \$620.8 million and \$3,441.7 million. [Text] [Athens BUSINESS & FINANCE in English No 191, 24 Apr 82 p 12]

CSO: 4600/499

NATIONAL ECONOMIC INSTITUTE WARNS OF INFLATIONARY WAGE RISE

Reykjavik MORGUNBLADID in Iceland 28 Apr 82 p 2

[Article: "Report From the National Economic Institute: Every 1-Percent Wage Increase Means 1- to 1.5-Percent Index Increase"]

[Text] At a meeting of the arbitration committees of the Althydusamband Islands [Icelandic Federation of Labor--AST] and Vinnyveitendasamband Islands [Federation of Icelandic Employers D-VSI] with the state mediator yesterday, a report from the National Economic Institute, made at the request of VSI, was submitted. The report follows.

In a letter dated 18 March, you submitted a request from the VSI arbitration council to the National Economic Institute that the institute study certain points stated in the letter. Some of these points were answered in the National Economic Institute's booklet No 13 on the National Economy, but answers to other points in the VSI request are as follows.

In evaluating the effect of increases in basic wages on the development of pricing and employment levels, it is necessary to keep in mind the recent connection between such basic wage increases and wage development. Last March, wage-price compensation rose by 7.5 percent and the prospects are that the increase on 1 June will be similar if everything remains unchanged. The operating status of fish processing in March, especially in the freezing industry, was such that an increase in domestic cost of 7.5 percent, with income remaining the same, would gradually have led to a halt in operations for many businesses. For this reason, the exchange rate of the krona was lowered recently so that the export industries can shoulder this cost increase. With respect to fish processing, the increase in the exchange rate of the dollar has also helped somewhat. In the domestic sector, this cost increase has been pushed over into the selling price of merchandise and services in a way that has been done before.

It is not likely that the situation will be any different in June than it was in March. If the operation of continuing export industries and competitive industries is to be ensured, the exchange rate of the krona must be lowered in accordance with domestic cost increases. Otherwise, businesses will have to stop operating and unemployment will follow, perhaps not suddenly but gradually, depending on the economic situation of each business. This is the position that must be the base of reference, when evaluating the effect of wage increases on inflation and employment.

A general increase in wages beyond the compensation increase on 1 June will, under the current conditions, unavoidably lead to growing inflation if the value guarantee on wages continues in much the same way as before. What the increases in the cost of living index will be will depend, among other things, on how the exchange rate is changed. If the exchange rate is changed less than is necessary to meet cost increases, it will affect the employment situation and the foreign trade deficit will increase.

Projected calculations of recent cost and pricing changes indicate that without base pay increases and unchanged arrangement of price compensation, the cost of living index will rise almost 40 percent from the beginning to the end of this year. The pay rate increase would, however, be somewhat less, or about 35 percent. The increase in the cost of living index during the next 12 months could be somewhat less than during 1982, if no changes take place in terms of trade.

Calculations based on a study of the connection between cost changes and price changes in recent years indicate that the cost of living index will rise about 1 to 1.5 percent during the next 12 months for every 1-percent rise in wages. It is assumed that the exchange rate of the krona will be lowered in accordance with domestic cost increases. These calculations probably give a fairly good indication of the pricing effect of wage increases in the 5-10 percent range, but considerably greater uncertainty prevails about the effect of increases beyond these limits. It is therefore difficult to submit a computed estimate on the effect of the 15-percent wage increase at the beginning of the agreement period, which the VSI considers to be included in the demands of the ASI and its regional organizations. The above-mentioned figures should, however, yield sufficient indications about the pricing effect of wage increases to permit evaluation of the effect in specific instances, according to what evaluation is put on wage increases.

Last year, wage costs in the OECD countries rose an average 10 percent from the previous year, and this year a 9-10 percent increase is forecast. The increase varies somewhat from country to country. The increase is below average in the United States, Germany and Sweden; about average in Denmark and Norway; and above average in France, Britain and Canada, to cite a few examples. (see OECD: ECONOMIC OUTLOOK No 30, Dec 81). However, these are all considerably lower figures than were mentioned earlier for Iceland, whether based on unchanged base pay or not.

Although there are great differences in the increase of wage costs, it will be impossible to avoid lowering the exchange rate of the krona to bridge this gap if the competitive position of the export industries and the competitive industries is to be secured and employment in these industries is thereby to be maintained. This will again have its effect on pricing and wages.

9583

CSO: 3811/35

PAPER ATTACKS MARXIST PARTY IN COALITION ON ECONOMY

Reykjavik MORGUNBLADID in Icelandic 29 Apr 82 p 24

[Editorial: "Headlines From 1978"]

[Text] During the last 3 years, national expenditures have increased considerably beyond the growth in national income. This difference has manifested itself in a growing trade deficit and increasing foreign debt. The trade deficit amounted to 5 percent of the national product in 1981, which is twice the ratio of the year before. Stagnation has taken place in the national production and national income. This stagnation imposes certain limits on our standard of living, both as individuals and as a nation. The economic forecast for 1982, for the first time in years, indicates a basic reduction in our standard of living. It tells us a lot that these danger signals, which threaten the future security and living conditions of the nation, come with the greatest growth on the national scene of the national leadership of the People's Alliance since 1978.

The operating expenses of basic industries have weakened considerably. We are therefore less prepared to meet negative fluctuations in our economic life, such as the collapse of the capelin stock or slack sales of stock fish. Under such conditions, the weak operating status of the production industries can become so bad that the employment security we have enjoyed for so long may become a thing of the past. In this way, homemade problems and external problems have put barriers in the nation's road to improved living conditions.

The operating position of the industries has been weakened, through both increased taxation and control of the exchange rate. That has impeded their growth, technical progress, increased productivity and the possibilities of meeting wage demands. The government has also neglected to increase the national income and secure prosperity through new hydro projects and the energy industry. In this way, the policy of the People's Alliance has delayed the improvement of living standards that would otherwise have been available earlier and to a greater extent.

National income has shrunk in the hands of the current government. If the national income is to be divided in such a way that everybody receives more kronur without the "national cake getting any bigger," it simply means a

smaller krona--and less purchasing power. It speeds up the transformation of the new krona into a floating krona, which is well on its way already. What is of importance is to increase the buying power of wages. That cannot be done except by increasing national production and the national income--or reducing the burden of taxes on public income. It is in this main area--increasing national production--that the People's Alliance has failed.

What does the People's Alliance have to offer now, almost at the end of its term of office? That is being extensively advertised in the sales windows of THJODVILJINN every day. Lo and behold, all the old slogans from 1978: "Elections are battles to improve wages," validate the agreement," "the fight for improved wages will be decided in the voting booth 22 May!" Such empty rhetoric is easily digested. It will be used neither to pay the ever increasing taxes levied by the People's Alliance minister of finance nor for household necessities. The People's Alliance simply did not pass the test. The failing grade will be counted in the ballot box before long.

9583

CS0: 3111/35

OWNERS' ASSOCIATION CHIEF DISCUSSES RECESSION IN SHIPPING

Oslo AFTENPOSTEN in Norwegian 27 May 82 p 33

[Article by Grete DeLange]

[Text] We have no crisis in Norwegian shipping. We have a normal market slump that we must learn to live with. Because a market slump is involved, the situation is unstable and it is unknown how long the difficult market situation will last. It is certain that an upturn in the world economy would create a balance between the number of ships and the transport jobs for them. But it is unlikely that there will be any balance where tankers are concerned until we see an increase in the number of supertankers that are broken up.

Administrative director David Vikoren of the Norwegian Shipowners' Association gave this description of the current situation for Norwegian shipping to AFTENPOSTEN.

Gross freight revenues for shipping will be close to 30 billion kroner in 1982. Trends from the first quarter show a drop of around 3 percent compared to 1981. But with the spending increases the shipping branch must anticipate, net freight revenues will show a somewhat larger decline.

The regular leader of the shipping association stressed that our shipping is not being hit any harder than the world fleet generally. There is a surplus of ships all over the world. This has led to a decline in the freight market and an increase in the number of idle ships. In April, 58 Norwegian ships were laid up, but that is no more than Norway's relative share of the world fleet. Oil transport has declined the most. Therefore, the tanker fleet in particular has felt the freight loss and the increase in idle ships. The picture is complex. Not all tonnage sizes and tanker types have been hit equally hard. Parts of the product carrier and gas ship groups are faring better than the tanker fleet as a whole. Bulk shipping is characterized by surplus tonnage. But even though the steel industry has a lower production capacity on a worldwide basis, transport of iron ore and coal is holding its own.

Norwegian Fleet Numbers 836 Ships

According to the latest statistics from the Shipowners' Association, the Norwegian fleet consists of 37.8 million deadweight tons or 836 ships. Both the tonnage size and the new construction program of 147 ships or just under 2 million gross tons by Norwegian shipping firms clearly show that Norwegian shipowners have not been infected by the somewhat defensive attitude that seems to have spread through the rest of Norwegian business life, Vikoren said.

The list of ships being built shows that to a large extent the shipping firms have stressed certain changes in the merchant fleet to make it more competitive. There is a transition toward smaller but more advanced and more expensive ships. This involves ships that will have high earnings per gross ton and will presumably be better able to shoulder the high Norwegian cost level.

In a high-cost land, constant changes and adjustments to new markets and new cost limits are required. We must be in the lead with regard to both expertise and technology.

There is also a mounting tendency for shipping firms to cooperate on the marketing side. Those with the same type of tonnage market their shipping services together. That is one way in which shipping firms can reap the benefits of large-scale operations.

Is Vikoren afraid that many Norwegian shipping firms will have to close down as a consequence of the poor market?

"No, not at all. But it is clear that the Norwegian shipping branch came out of the shipping crisis with a weakened capital base. Now that we have a recession with falling rates, they have less resistance than before. That is an indication that tax conditions must be corrected so that it is possible to set aside more funds with which to meet a recession. We must realize that the only thing that is normal in Norwegian shipping is strong earnings fluctuations. We must take that into account when overall terms are being formulated."

Limited Partnership Capital

"It has been important for shipping owners to have access to capital," said Vikoren. "Through limited partnership companies, we have acquired subscribed liability capital amounting to 11-12 billion kroner, of which 4 billion came from sources outside the branch. A quarter of the ships we have in the merchant fleet are wholly or partially financed through limited partnership companies. The high ratio shows that those who have invested did so on the assumption that the projects were sound. One should never invest capital in a business enterprise simply to save on taxes. In this context, it is important to recall that a limited partnership share does not exempt the partner from paying taxes, it simply postpones the tax

payment. Some prospectuses have given an erroneous picture of the real tax situation and that is regrettable."

The offshore sector seems to be doing best in the shipping branch today.

"It is a substantial plus that shipping firms have become so involved in offshore oil activities. We have 27 mobile drilling vessels sailing under the Norwegian flag and 12 that are under foreign flags. And 10 new rigs will be delivered this year and next. Most of these rigs are being used outside the Norwegian sector. In the course of a few years, Norwegian shipping firms have built up the world's largest fleet of service vessels. The supply ship fleet consists of 115 ships and 63 are on order. This fleet is very advanced and competitive and it works under relatively good revenue conditions. With regard to rigs, revenues are good even though the rates are falling too much.

"It remains to be seen whether this will continue. Because the Norwegian offshore branch is primarily an export business, the outcome of the current tariff negotiations will be of decisive importance for competitiveness," Vikoren stressed.

6578

CSO: 3108/110

FINANCE MINISTER: DECLINE IN OIL REVENUE FORCING BUDGET CUTS

Oslo AFTENPOSTEN in Norwegian 21 May 82 p 3

[Article by Einar Solvoll]

[Text] "The tempo must be reduced in carrying out plans in many areas. In general, we ought to adjust ourselves to this," Finance Minister Rolf Presthus said in Storting in response to a detailed question from Kare Kristiansen (KRF [Christian People's Party]) concerning the consequences of the decline in state revenue due to the drop in oil prices. "It will be even more important for people in each individual sector to concentrate heavily on getting more out of the funds available," the finance minister said.

Kare Kristiansen said that the drop in oil prices in particular had created considerable uncertainty with regard to the extent and priorities of public activity, especially on the county and municipal level.

"Against this background, will the government make a thorough revision of the Long-Term Program and the budget, thus giving Storting an opportunity to reassess them?" asked Kristiansen, who pointed out that the predictions of 170 billion kroner in oil revenue for the years from 1982 to 1985 have been reduced by a sizable 110 billion kroner. In other words, we will get only 35 percent of the anticipated oil revenue in the 4-year period.

Finance Minister Rolf Presthus reminded him that the government had presented its revised national budget for this year just 2 weeks ago along with the Long-Term Program for the years 1982 to 1985.

"It is obvious that the altered predictions will have consequences for public budgets," said the finance minister. This applies to both the state treasury and to primary and county administration. Counties and municipalities must also adjust their development of activities to the altered economic limits facing the country as a whole. But in the very short term, income developments for this part of the public sector are characterized by a higher level of income growth than anticipated. But with the revised estimates, it will be more difficult to transfer large amounts of money to the municipal sector.

Cabinet minister Presthus pointed out that Storting's discussion of the Storting report on the revised 1982 national budget and the Long-Term Program for 1982-1985 would create guidelines for further work on the current budget and on the national budget for 1983.

After the 1983 budget has been presented, the government will place high priority on revising the Long-Term Budget in line with the altered economic predictions, the finance minister said. It will not be possible to make a sufficiently thorough revision of the Long-Term Budget before the 1983 plan is established. The updating activity now going on as a result of the altered economic predictions will therefore give Storting a good chance to influence developments via Storting's comments on the Storting report on the 1982 revised national budget and the 1982-1985 Long-Term Program as well as through debate on the 1983 budget documents.

6578

CSO: 3108/110

EDICT PUBLISHED ON TAX REBATE FOR EXPORTS

Ankara RESMI GAZETE in Turkish 22 Apr 82 pp 1-4 No 17672

[Text of Council of Ministers decision published in the official register]

[Text] Decree Number: 8/4397

It was decided by the Council of Ministers on 3 March 1982 pursuant to Supreme Planning Council Report No 9 of 3 March 1982 and in accordance with Article 1 of Law No 261 of 27 June 1963 and Articles 3/C, 4 and 13 of Law No 933 of 28 July 1967 that "Decree Number 11 Pertaining to the Tax Rebate on Exports," attached, shall be placed in effect.

Decree on Tax Rebates for Exports

(Series No: 11)

Article 1--Paragraph 1 of Article 11 of the "Decree on Tax Rebates for Exports," placed into effect by Council of Ministers Decision No 7/10624 of 9 September 1975, is amended as follows:

"Exemption, exception or rebate provisions pertaining to exportation which appear in the regulations in annex List A (excluding the exception, exemption and rebate provisions introduced by Export Incentive Decree No 8/182 and its annexes and Article 42 of that decree) do not apply to products to be exported under this decree."

Article 2. Paragraphs 2 and 3 of Article 17 of the decree named in Article 1 are amended as follows:

"In the net foreign exchange input account, the cost/costs (in excess of 20 percent of the f.o.b. export cost) of raw materials, auxiliary materials and packing materials imported as exempt from insurance, commission, premium and premium returns as well as customs duty fees based on the export incentive certificate are deducted from the f.o.b. export sum."

Article 3. Paragraph 2 of Article 29 of the decree cited in Article 1 is amended as follows:

"An additional tax rebate is made in the amount shown in the table below on exports made during 1 calendar year only.

"a) \$ 0 (zero) - \$2 (two) million = 0

"b) \$2 (two) - \$10 (ten) million = 6%

"c) \$10 (ten) million - \$30 (thirty) million = 12%

"d) If exports exceed the \$30 million mark, the full sum from (0) base = 10%."

Article 4. Paragraph 2 of Article 30 of the decree named in Article 1 is amended in two paragraphs as follows.

"Foreign exchange inputs obtained in exchange for the export of goods appearing in List No 9 under the heading 'Fresh fruits, vegetables and seafood list' are combined in the annual export barrier account.

"Foreign exchange obtained from the export of items appearing in the 'Zero tax rebate list' and List No 10 are not combined with each other or with the export inputs from products appearing in other lists."

Article 5. Article 42 of the decree named in Article 1 is amended as follows.

"Article 42. Application may be made under the following conditions for the exemption or rebate of sales taxes which may have been paid owing to delivery of an export product itself in the form in which it is exported.

"Manufacturers who export their products or deliver them to exporters for export only may take sales tax-free delivery of items or supplies subject to the sales tax in the framework of Law No 6802 which they will use in the manufacture of the item or product to be exported or in its packaging on the basis of certificates available from the Office of the Chief of Incentive Implementation (TUB) of the SPO [State Planning Organization]. The conditions and principles for the implementation of this exemption are specified by the TUB."

Article 6. "Cotton yarn (yarn containing more than 50 percent cotton qualifies as cotton yarn)" which appears in List No 8, subsector 3 textile garments, series 1 -- in the rebate lists of the annex to Edict No 7/10624 as revised by "Decree Number 10 Pertaining to Tax Rebates on Exports" annexed to Edict No 8/2625 of 3 April 1981 -- is transferred to List No 5, same sector, series 5.

Article 7. The products below are placed in the lists shown opposite them by authority of Article 4 of the decree named in Article 1.

Product	List No	Sector No	Subject
Steel Rolling-Mill Machinery	1	13	22
Scoreboard	1	15	6
Timepieces	1	29	1
Solar energy heating plant and parts	2	12	25
Artificial fertilizer	2	7	2
Excavator	2	13	10
Fork-lift	2	13	11
Concrete building elements	2	22	4
Construction panels (of paper pulp or wood fiber) whether or not impregnated with natural or arti- ficial resins or similar adhesives	2	22	5
Sewing varn (of cotton)	3	3	7
Other printing presses	3	5	6
Steel tape measures	3	12	40
Spring hinges, nonspring hinges	3	12	41
Circular saw	3	12	42
Hand cart	3	12	43
Cabinets	3	12	44
Medical and orthopedic corsets	3	31	7
Dinitrous pantomethyleietetramine	4	7	12
Brass plate	4	11	10
Metal chairs and tables	4	12	6
Baby carriages, market baskets, strollers	4	12	7
Ballpoint pin nib and nib blanking machinery	4	13	4
Other winches	4	13	5
Automatic horn relay	4	14	20
Escalator	4	14	21
Baby food	5	1	3
Fruit base	5	1	4
Unsaturated polyester	5	7	33
Conducting flux	5	7	34
Epoxy resin	5	7	35
Industrial oil acids	5	7	36
Linear alkyd benezene-sulfuric acid	5	7	37
Rolled leather sole lining	5	29	1
Gas concrete building elements (Ytong)	5	29	2
Olive oil (containers up to 1 kilogram) (1)	6	1	21
Dry bakerv yeast	6	1	22
Micronized dolomite	6	7	21
Micronized talc	6	7	22
Micronized calcite	6	7	23
Enamel Pigments	6	7	24
Other plastic products	6	19	4

Thermos	6	29	15
Processed and packaged tea	6	29	16
All types of buttons (for clothing)	6	29	17
Fresh flowers	6	29	18
Bone gelatine	6	29	19
Automobile mats	6	29	20
Decorative and industrial type packaging tapes	5	19	7
Double-tipped cotton swabs	7	31	1
Aluminum chloride	8	7	8

Article 8. The items below are added to the (0) Zero Tax Rebate List.

Chrome ore
Spun silk
Heather

Article 9. Gas concrete building elements (Ytong) are removed from the Zero Tax Rebate List and "Industrial Oil Acids" are removed from List No 8.

Article 10. The temporary tax rebate list appearing in Article 2 of Export Incentive Communique No 81/6 is no longer in effect.

Article 11. Articles 2 and 3 of this decree will become effective as of 1 January 1983, the other articles as of the date of publication of this decree.

3349

USO: 4654/319

NORDIC SOCIALISTS, COMMUNISTS MEET TO DISCUSS LEFT'S FUTURE

Stockholm DAGENS NYHETER in Swedish 23 May 82 p 6

[Article: "Debate About Socialism: The 80's Will Be The Decade of The Left"]

[Text] Socialism in the Nordic countries has problems. But if the parties to the left of the Social Democrats can create a credible alternative to capitalism and East Bloc communism, the 80's can be the decade of the Left.

It was mainly the leader of the Left Party Communists [VPK], Lars Werner, who maintained that view in a debate on socialism in the Nordic countries in Stockholm on Saturday.

He was largely supported by Berge Furre, leader of the Socialist Left Party in Norway.

The Finnish participant, Gunnar Asplund from Finland's Communist Party was positive on cooperation and a search for new solutions. But he also expressed basic solidarity with the Soviet Union.

The debate, which continued for 4 days, took place at the VPK conference at the Marxist People's University. The leader of the Socialist People's Party of Denmark, Gert Petersen, did not attend because of conflicting government negotiations.

Dilemma

Both Werner and Furre believed that social democracy is in a dilemma because it no longer has growth to use for social reforms and welfare policies.

On the other hand the socialist parties are having problems with developments in the Soviet Union and Eastern Europe.

"The antisocialist powers have their best support from the generals in Warsaw," said Furre. "Therefore we must build models for our own countries."

Third Power Needed

"It is not sufficient to criticize capitalism in a situation where many think it is still better than East Bloc socialism. A third power is needed in West Europe," said Furre.

Asplund could support that. "As quickly as we criticize capitalism we are knocked down by an example from the socialist side."

He was still ready to "ride out the storm" until the day returns when socialism again shows its strength. His party intends, however, to change its program. It can be good to work with alternative solutions in a situation where forward progress is impossible, he said.

New Strategy

Lars Werner presented five points which should be included in a new strategy for socialism in the Nordic countries"

- It should include peace and disarmament, including a nuclear weapons free zone.
- Democracy should be increased and the individual's rights against the bureaucracy increased.
- Jobs and welfare should be protected.
- Planned production and economy are required, but new solutions should be possible. For example, should there be a government credit agency, or is sufficient just to have the controlling positions?
- The fifth point is that Werner would invest in environmental and energy matters, as the Nordic awareness in these areas is greater than in the rest of West Europe.

Asplund considered it a good program, and he said that parliaments and the multiparty system should remain even after a socialist regeneration.

9287

CSO: 3109/166

OBSERVER: AALBORG UNIVERSITY CARRIES OUT MARXIST MISSION

Copenhagen BERLINGSKE TIDENDE in Danish 17 May 82 p 9

[Commentary by 'Monitor']

[Text] Nobody knows how the continued development of the Aalborg University Center is proceeding, but there certainly is reason to look further into the matter. There is every indication that the education offered at the forgotten university is of an inferior quality and that it is largely marked by Marxist missionary activity.

'He lives well who lives quietly' might very well be the motto for the Aalborg University Center. The center, which started its operation in 1974, 2 years after the RUC [Roskilde University Center], has at no point been in the full blaze of publicity. The large distance to the capital combined with the stir in connection with the RUC has, at no point, caused the attention to focus on the Aalborg University Center. That may have been a good thing for the center, but it is a question whether it is good for the future standard of the university education and university research in Denmark.

The structure of the studies at Aalborg corresponds to that of the RUC. That is to say that the studies start with 12 months of basic education in the humanities, social sciences or technology and science. After the basic education, the students may choose between a medium-long 'superstructure' education or graduate studies. The graduate studies, which are assumed to lead to the same level of achievement as the graduate studies at the traditional universities and institutes of higher education, take a prescribed period of time of approximately 4 years.

However, in comparison with the various forms of university education which we otherwise know, there are conspicuous differences. These differences are partly associated with the form of instruction given, partly with the form of evaluation. The graduate studies in social sciences, which at Aalborg lead to a degree in social science, called graduate in social science, may serve as an illustration.

Contrary to what is known from other universities and colleges, the studies have not been divided into subjects and disciplines which are delimited by criteria of method or theory and which are comparable to the delimitations known from

social science departments at other Danish or foreign universities. That in itself makes it difficult to compare the quality of Aalborg graduates with that of graduates from other universities. This is rendered further difficult by the fact that the major part of the instruction given in the further education fields takes place in transverse projects where only in the order by the Ministry of Education the objectives to be fulfilled through the project work have been laid down in broad and abstract terms.

Another characteristic of the instruction given at Aalborg University Center is that the evaluation of the performances of the graduating students is largely internal. Students graduating in the social sciences who specialize in administration or economics will thus take only three exams at the 'superstructure' level. After the fifth term, an intermediate exam will be given on the basis of a project report. There is no grading, and only the evaluation passed/not passed. For the final exam, a summary is presented of all of the project reports in the preparation of which the student has participated. In addition, the student himself chooses a project report on the basis of which he is examined. Finally, the student prepares alone or in a larger group a final project which together will be subject to a discussion with the leaders responsible and two censors. The student will be graded on this discussion of his final report as well as on the exam on the project selected by the student.

This peculiar and weak system of evaluation causes the examination grades of the graduate to rest on an extremely narrow basis. That may not mean too much to them as the level of grades at the Aalborg University Center, as at RUC, seems to lie somewhat above the level of grades for corresponding or at least partly comparable educations at the old universities and institutes of higher learning. To the potential employers of the graduates, who, it is assumed, will belong largely to the public sector, this means that the qualifications of the graduates from the Aalborg University Center are difficult to evaluate in advance.

Since the graduates produced at Aalborg cannot be evaluated in this manner, it may be interesting to find out what subjects are taught at a given time. As far as graduate studies in the social sciences are concerned, such information is, for example, available in the catalogue of studies for the spring term of 1982. It appears from this catalogue that, during the said period, there were only 4 courses scheduled which were subject to the actual supervision of teachers.

The remainder of the instructional activity consisted in group projects managed by the students. The subjects of these projects may provide a picture of the studies and the graduates produced. A project on municipal self-government is thus based on the hypothesis that "there is a distribution of work between the municipality and the state where the municipality safeguards the maintenance of labor and the state regulates the supply of labor." Another project entitled "The Public Sector--a Cuckoo in the Nest?" "seeks to provide a critique of ideology" with a view to demonstrating that a cut in the social area is politically unacceptable.

Other projects which have titles such as "Women's Roots," "That is too Bad, Girls," "The Public Sector--a Millstone Round One's Neck?" "Denmark's Competitiveness--Ideology or Reality?" confirm the impression that at least the social

science education at Aalborg, to a considerable extent, is marked by Marxist missionary activities. The clumsiness and the primitive presentation of the problems in the description of the projects, furthermore, suggest that the graduates produced at Aalborg may suffer from serious shortcomings, as far as their qualifications are concerned.

There, therefore, may be reason to undertake a qualified evaluation of the teachings and the research which have been going on at Aalborg for nearly 8 years. It is high time considering the fact that quite unchallenged and without taking into consideration any form of quality or cost-benefit considerations, the Ministry of Education is in the process of transferring considerable means from the old universities to AUC and RUC. In 1982, the total grants of the two centers constitute 17 percent of the grants of the three universities. In 1988, the corresponding share will be 21 percent. As far as the social sciences are concerned, the picture is even more serious. If the Ministry of Education will get its way, the AUC and the RUC will in these areas have at their disposal resources equivalent to 36 percent of the resources of the universities. It is doubtful whether this would be sensible and justifiable from the point of view of the quality of the education and the research.

2262

CSO: 6106/121

JOXE ON GOVERNMENT MISMANAGEMENT, DELAY, DISAGREEMENTS

Paris LE FIGARO in French 24 Apr 82 pp 128-131

[Interview with Pierre Joxe by Christine Clerc, 15 April 82, Paris]

[Text] Pierre Joxe, leader of the socialist group in the National Assembly, accuses: "The government is managing the change badly, he says, and is working too slowly. As for the Communist Party, Georges Marchais, or Henri Krasucki: They do not change."

"If you want to talk to Pierre Joxe," they told me at the National Assembly, "you will have to leave with him at 6 am."

Therefore, at 6 am on this frigid April 15, the day of the election of the new Regional Council presidents, I am pacing back and forth on the Quai de l'Horloge where the president of the socialist parliamentary group is lucky enough to have his home. The minutes tick by. Finally, a call makes me look up: Pierre Joxe's hairy head is leaning out of a fifth story window. "The driver will be here soon," he says.

Ten minutes later, a black CX "Prestige" bearing an official tricolor plate emerges out of the night and Pierre Joxe opens the door of his building, a gray flannel suit folded on one arm and a thick briefcase filled with files in the other. The lean and relaxed silhouette of a rich kid brought up with a taste of soft tweeds and English shoes, a youthful smile. But I am frozen stiff, and not in the mood to be charmed.

--"While I waited," I said, "I was thinking that a deputy from the right would have asked me in out of the cold. I suppose it would have bothered you to show a reporter from FIGARO-MAGAZINE your bourgeois apartment!"

--"Me, a bourgeois?"

He seems sincerely surprised. If it were not for the thick eyebrow over the glasses, it would be difficult to recognize the sternness which gave him his reputation as a "sectarian," "doctrinaire," and even as another "Saint-Just." In spite of his graying hair, he hardly looks his 47 years. He looks more like a hard-working student than a president of a Regional Council and of a

parliamentary group. It is also hard to believe that he could have planned, two years ago, to be a candidate for the presidency in order to block the road for Michel Rocard and that today, he is trying to replace Pierre Mauroy.

As we speed along the freeway, we leaf through the newspapers the driver has brought: visits of union leaders to Pierre Mauroy, warning of Jacques Delors to the unions.

Christine Clerc: People used to say that with the left assuming power, the unions would get a new start. Instead, divisions within the unions are multiplying. Isn't that a failure for you?

Pierre Joxe: It is true that union participation remains too small in France. By improving the protection of delegates within the companies the new laws (resulting from the Auroux report) which will be discussed in May should result in an improvement of participation in the long run. But the unions will have to work at increasing their membership instead of spending their energy competing with one another. Divided unions are less attractive.

Clerc: Hasn't the socialist government made these divisions worse? For instance by increasing the power of the CGT (Confederation General du Travail). By the way, are you still a member of the CGT?

Joxe: Yes, as an employee of the Ministry of Finances. But let's discuss this famous union power. Naturally, there are people who see the Communist Party and the CGT everywhere. However, when one realizes the weakness of unions in France, it is not really possible to speak of the unions taking over companies. For instance, let's consider the subject of Health and Safety Committees. French law is behind all other European countries in this area. Even after the May laws are passed, we will be far from being the most progressive.

Clerc: Are you sorry about that? Would you want a faster rate of change? Would you want a radical change?

Joxe: I never considered the problem in terms of pause or radical change. The important thing is to put into effect the president's 110 proposals. In what sequence and at what rate? It is for him to decide. In his own time. The president is the master of his calendar, just as he is the master of the direction of the government policy. Within a more or less wide margin of freedom depending upon the majority in Parliament.

Clerc: Do you see an evolution in this majority? Questions are being asked about the possibility of a "centering." Jean-Pierre Chevenement called for a widening.

Joxe: I am not interested in this discussion. The only question I am interested in is: where will we be just before the legislative elections 4 years from now, or 3 years in the case of dissolution of the assembly and

anticipated elections? Three or 4 years from now, we will have to say: we have achieved this and this. We have created the conditions to achieve that. And now we are proposing to continue in such and such a direction.

Clerc: So, in your opinion where will we be? What will the priorities be?

Joxe: The fight against unemployment, particularly for young people. The rate of unemployment among people under 25 is twice as high here as it is in Germany. It is a problem related to the inadequacy of professional training.

Clerc: Were you hoping for faster results? It is true that you had promised much better.

Joxe: In any case, the results contradict everything the right had been saying about unemployment and inflation. Either the right made a mistake in their analysis, or they showed extreme cynicism. This is very serious. Either the right fooled itself, or it fooled the people.

Clerc: Who doesn't fool the people!

Joxe: Look, if you insult me, we stop!

Clerc: I'm not insulting you, I'm merely sighing. But let's get back to my question about unemployment. Were you hoping that a union of the left government would do better? And how?

Joxe: We would have done better if the nationalizations had been effective in July. At the Ministry of Industry, I had prepared everything for a vote on 15 August. Do you realize that we could have started the investment program immediately!

Clerc: Too much haste, leading to backtracking and contradictions. Isn't that what baffles and worries people?

Joxe: Baffle people? No, the president is maintaining a very good image. French people have confidence in him.

Clerc: But he is not often around. He travels a lot!

Joxe: I see the president twice a week, and I can assure you that he follows the situation in France very closely. He keeps perfectly well informed about everything.

(Everytime he says the word "president," Pierre Joxe's face becomes almost religiously severe. This in spite of the fact that his differences with Francois Mitterand have sometimes been serious, particularly about the European question (Joxe was violently against universal suffrage for the election of the European Parliament.) But since 1965, the time when this son of an ex-Minister in deGaulle's government (Louis Joxe) decided, after studying Marx, Jaures, and Blum for several years, to campaign for the

general's main opponent, he has remained one of his most faithful lieutenants and, it is said, one of the most listened to. Pierre Joxe shows me a telephone dial installed under the arm-rest between us. Dialing 13 gets the Elysee Palace immediately, and the president within an hour regardless of where he may be.)

A Poor Organization

Clerc: Do you have the same kind of relationship with the prime minister?

Joxe: No.

(This "no" speaks volumes. Pierre Joxe has evidently never forgiven Pierre Mauroy for having sided with Michel Rocard at the Metz Congress in 1979. At the time, he used to call the present prime minister: "Rocard's cabin luggage." And he was calling Rocard "the Sprite." Three years later, the least that can be said about the relationship between the prime minister and the president of the Socialist Parliamentary Group is that it is no warmer than the relationship that used to exist between Raymond Barre and the R.P.R. Parliamentary Group. Except for the occasion of the weekly breakfast meeting at the Elysee Palace with the head of state, the two men rarely meet. This obviously does not make for easy relations between the executive and the legislative. And it does not help the implementation of the socialist policies.)

Clerc: How do you judge the actions of the government and the contradictory statements of the ministers?

Joxe: The problem is not so much in the statements. It is a question of work organization. Whereas the president must manage his time on the basis of a period of several years, the government must operate within the limitations of the parliamentary sessions. Until now, he has multiplied the number of extraordinary sessions without being able to provide the required drafts in time. The deputies will not be able to review the drafts of social laws until the end of April. In order to be able to do useful work at the beginning of the session, the drafts should have been approved by the government in January. This is really a late start! Last November, Pierre Mauroy asked parliament to vote on the so-called "qualification" law in order to enable him to issue decrees on the 39-hour work-week, retirement at 60, etc. The stated objective was to gain time, but the last decree has just been issued. Pierre Mauroy did not know how to use ordinances. This question of the reduction of working time was badly managed.

Clerc: In order to achieve a better coordination, would you like to meet with the prime minister more often?

Joxe: That's not the question, but it would help for the deputies to be better informed. For instance, the draft concerning cooperatives was only distributed yesterday. I was unable to give a timely warning to those deputies who had particularly studied this question.

(Pierre Joxe then drifts into a meditation about the difficult role of a prime minister in the Fifth Republic. Debre, Couve de Murville, Messmer, Chirac...people remember their actions at the Foreign Affairs Ministry, or at the Ministry of Agriculture, but who remembers their actions as prime ministers? Barre is an exception, but it is only because he just left.)

(Having thought so much about the role of a prime minister, does that mean that, as it is whispered, Pierre Joxe has the ambition of taking up residence at the Hotel Matignon one of these days? He cockily quotes Corneille: "Let my king, my ability, and time decide." He reminds me that he has just been reelected president of the Socialist Parliamentary Group. He will be a candidate again next year and, he says, "I hope to be reelected." Approaching the Bourgogne region brings us to regional and county elections. Pierre Joxe is assured to be reelected next Thursday as President of the Regional Council of Bourgogne. But it is within two votes and thanks to his age: in the county elections, the left has lost eight seats in the region.)

Clerc: What will happen in the municipal elections?

Joxe: They will be more politicized than usual because proportional balloting will force the parties to close up ranks.

Clerc: Are you afraid that the Communist Party is losing ground and that the Socialist Party is stagnating? In this case, wouldn't a widening of the majority be necessary?

Joxe: I never make prognostics: If by widening you mean that more people vote for the left, I am for it. But a widening toward the center? It would require the existence of a left center group. Is there one? Michel Jobert is an estimable man, but what does his group represent?

(It is 8:30 am as we arrive at the Regional Council of Bourgogne. It is a kind of concrete bunker, as forbidding on the outside as it is comfortable on the inside. While Pierre Joxe meets with his socialist friends, I have time to reflect, standing between walls hung with suede and amid deep leather chairs, upon the lavish expenses of general and regional councils. Expenses which will certainly not be slowed by decentralization.

"Universal Contempt"

Ten o'clock. People are crowding in the comfortable amphitheater. One can see Robert Poujade, Gaullist Mayor of Dijon, Jean-Pierre Soisson, Mayor of Auxerre and ex-minister in Giscard d'Estaing's government. Is Pierre Joxe a sectarian? Of course. No comparison with the courteous Francois Mitterrand who was a member of the council last year. Tomorrow, Joxe meets with the communist minister Marcel Rigout. We have just received the luncheon invitations, and while the opposition holds 24 of the 50 seats in the council, he agrees to give them only three.

The session begins, and once voting completed, we listen to the dean's speech in which he advocates "more solidarity and less hatred between Frenchmen." Then, within standing up, Pierre Joxe begins to speak with the slightly jerky voice of an aggressive shy man and presents the list of the counsellors he is suggesting for election to the board. "I already know that some of you believe that these proposals are insufficient, but they know that their proposition of proportional representation comes too late. They should have presented it when they were in the majority." Just for show, the U.D.F. candidate speaks of "universal contempt" and of "crumbs they are throwing us," but the expected incident does not occur. At the end, feeling as light as an adolescent who has just passed a critical exam, Pierre Joxe takes the members of the board and myself to lunch at the "Chapeau Rouge" restaurant where he has reserved a table. White tablecloth, crystal, silverware. Things have been well done for the president of the regional council who selects the wine as a connoisseur: Chablis with the asparagus and the goose liver, red "rully" for the sweetbread with morels, and relaxes to the extent that he becomes almost lively. Laughingly, he tells us of his meeting with Georges Marchais, 8 months after the latter called him a nobody and "Francois Mitterand's little valet" on a live TV show from Moscow. It happened in Bourgogne during the dedication ceremonies of the T.G.V. (High Speed Train). Georges Marchais was not as self-assured that night. He even drew back when he saw Pierre Joxe.

On the way out, I question him about the Communist Party. Since he was the first and most enthusiastic proponent of the union of the left, what does he think about the losses experienced by the Communist Party?

Joxe: It is due to the campaigns carried out by leaders who make incorrect analyses, far removed from reality.

Clerc: But aren't they changing? Not a day goes by when you don't read in L'HUMANITE an article along the lines "the outlook is changing."

Joxe: But Georges Marchais has not changed!

Clerc: What about the others? Krasucki seems intelligent?

Joxe: It is possible to be intelligent and a sectarian. If they keep Marchais, it is because they believe he is good. If Marchais stays, it is because the leadership of his party approves of him. And this shows the party is not changing.

JOXE ON PARLIAMENTARY AMENDMENTS; PSF-CGT MEETING

Paris LE MATIN in French 23 Feb 82 p 2

[Interview with Pierre Joxe, PSF leader in the Assembly, by Dominique Burg and Nicolas Domenach; date and place not specified]

[Text] The bills proposed by the government, to be taken up by the deputies early in April, promise lively parliamentary debates: workers' rights, audiovisual reform, and implementation of nationalizations, particularly in banking, are but a few of them. Pierre Joxe, chairman of the Socialist group, explains to LE MATIN that without prejudging the opposition's attitude, he does not favor limiting the right of amendment. Moreover, he takes a positive view of the organization of meetings between the CGT and the Socialist group on the government bills.

[Question] At the time of the CGT-PSF meeting, in which you took part, contacts were agreed to between the union and the Socialist group. How do you view those relationships?

[Answer] Our meeting with the CGT allowed a good number of current questions, national or international, to be examined in depth. In four and a half hours, we took the time to go to the bottom of things: on Poland, about which there is divergence of views, but also on certain aspects of the government's policy, on which there are convergences. Moreover, we are going to systematize, and organize in advance, the meetings between the Socialist group and the CGT on the government bills, particularly in the social field. We have received 7 CGT delegations since the beginning of the legislature. None of those meetings were sufficiently prepared for. That, I think, will improve.

[Question] On that very question of the parliament's work, it took 7 months to finish nationalizations. Does not that lag raise once again the question of the order in which reforms were taken up?

[Answer] The present balance of parliamentary action is evident; we first enacted laws of liberty: decentralization, amnesty, abolition of the death penalty, extension of individual and public liberties. Then, we built the base, with the nationalizations, for the change promised to French men and women.

Now we can move ahead. The government's calendar must better reflect the pace of change in concrete form, and make it discernible in daily life. For example, nationalizations must go hand in hand with the law on extension of workers' rights. To wait too long in this domain would make our policy incomplete, and it would not be understood.

[Question] That brings up matters which may meet strong resistance from parliament in the spring. Relations with the opposition may be very strained. What do you think about possible rules changes in the National Assembly?

[Answer] I have often expressed myself on respect for the opposition in parliamentary debate. We respect the opposition. It should better respect itself. When it proposes amendments to our bills, it plays its role. When it cumulates them in great numbers, in a repetitive, quasi-identical, and dilatory manner, it distorts debate and strikes at democracy. Having said that, I for my part do not think it possible to limit the right of amendment.

I do not know what will be the opposition's attitude in the spring session. As for us, we were elected on a program, and we will achieve it by patience, determination, and tenacity, within republican legality.

[Question] Lionel Jospin, at the last PSF convention, remarked that "French socialism is no longer in a single place, but in three or four." Is there not in those words a recognition of a particular power held by the parliamentary group, vis-a-vis the party and government, which can at times be exercised in a conflicting manner, as was seen at the time of the nationalizations?

[Answer] The group I lead supports the government: massively, solidly, continuously. What a surprise! Socialist deputies support the union of the left government named by Francois Mitterand. The support of the Socialist group does not rule out supervision, amendment, or even criticism. That is normal. The Socialist party is accustomed to democratic debate. It does not know Prussianism. It is a party of debate.

As for an alleged opposition between the Socialist group and its party, that is a fantasy. Our deputies are first of all militant socialists, and remain so. Sent to parliament by the people on nomination by their party, they play their role. Certainly, the intensity of parliamentary activity trains the news cameras on their work, and at times on their reactions. That is normal. But no one could cite a single case in which the group I lead took a position contrary to party commitments or to the PSF program.

6145

CSO: 3100/494

ROUX, ESTAGER, OTHERS DEBATE POLAND, CHINA, SOCIALISM

Paris REVOLUTION in French 2-8 Apr 82 pp 18-22

[Roundtable discussion with Francis Cohen, Jacques Estager, Jean Radvanyi, and Alain Roux, moderated by Bernard Umbrecht and Dominique Vidal of REVOLUTION]

[Text] Four authors of books on socialism--Francis Cohen, Jacques Estager, Jean Radvanyi, and Alain Roux--discuss socialism. How should we describe the current difficulties of socialist countries? Shouldn't they be seen as signs of a "crisis," in the full sense of the word? In other words, what are the obstacles and contradictions which affect changes from one stage to another?

Francis Cohen: Born in 1914, former L'HUMANITE correspondent in Moscow (1946-1949). A leader of the "socialism" group at the Marxist Research Institute. Coauthor of "We and the USSR" (Editions Sociales, 1978), he published the report of his conversations with Hungarian leader Georgy Aczel under the title: "Conversations on a Socialism."

Jacques Estager: Born in 1921. French teacher, Editor of the daily LIBERTE in Lille. Author, in collaboration with Jacques Dimet, of the book: "Poland, a Revolution in Socialism?" (Editions Sociales, 1981).

Jean Radvanyi: Born in 1949. Qualified as a teacher of geography. Assistant teacher at the Institute of Oriental Languages and Civilizations. Author of the book: "The Paradoxical Giant" (Editions Sociales, 1982).

Alain Roux: Born in 1935. Assistant teacher of history in Paris VIII. Member of the PCF delegation which has just renewed, in Peking, relations between the PCF and the Chinese Communist Party. Author of various articles and works on contemporary China--in particular the book: "The Chinese Puzzle" (Editions Sociales, 1980).

Dominique Vidal: Hungary, Poland, the USSR, and China: You have each devoted a book to them. How does this specific research on "individual" socialisms relate to the French Communists' overall view of "the" socialism?

Alain Roux: The approaches of all four of us have been similar, I believe. Starting off by rejecting the idea of a "model" socialism, it is a matter of concretely examining how existing socialist societies are evolving. However, nothing pragmatic or skeptical: Only on the basis of more and more intense study of the reality in these societies can we derive the common characteristics, perceived a dynamic whole, define the similar obstacles and contradictions, and outline possible outcomes.

Our work--and the work of all who, like us, make an effort to seriously study the socialist countries--can contribute to consideration of the existence of a number of "general criteria" which, in contrast to the laws which have so long been cited, "do not precede experience but generalize a multi-form experience." Rejecting every "model" and avoiding any "modeling law" do not mean abandoning a scientific approach which, with respect to the current socialist societies, tends to emphasize the common characteristics and make possible an overall view of socialism.

Francis Cohen: This approach, and we do share it, relates to the long-term view projected (or reprojected?) by the 22d PCF Congress. What is socialism? To answer this question, we need to look more closely at how each socialism is a concrete response--to use a PCF definition--to the concrete situation in the country in which it develops. That approach considerably influences our thinking about socialism for France, our country's political evolution, and our relations with the international workers' movement and the other communist parties.

And now to the second point, on which my thinking is admittedly only in the beginning stage: the relationship of the particular to the general. Dominant in a number of theoretical works--Soviet, for example--is the idea that socialism is general laws and the special applications of these laws. However, does that not bring us back to confining historical development into something of the nature of a predetermined "model" category?

However, have we four (and others), while studying quite different countries, not run into similar problems? The "Soviet model" was not merely imposed by the Soviet presence: It responded to the reality of the questions to be resolved. And we have seen essential elements develop out of it in various parts of the world, and in very different stages of development.

The book I am publishing is entitled "Conversations on a Socialism." That title was obviously not an accident. My source, Gyorgy Aczel, was speaking almost entirely about Hungarian socialism, of which he was one of the founders. However, the reader will recognize that it deals with "the" socialism.

Jacques Estager: The Polish crisis arises mainly from special characteristics. I would note three in particular. First, the status and influence of the church, which is involved not only in the religious life but also the

political, and has long been established as a kind of counterauthority. Second, the existence of a very powerful farmer group: it works 80 percent of the land. Finally, the fact that a quarter of the nation lives abroad: these 15 million Poles, the "Polonia," have preserved very strong ties with their country of origin, and these exchanges have made Poland a very open country.

To these three points we must add the particular attitude of the Poles to the concept of the state. Until the 20th century, the state was for them foreign and oppressive--the German Reich, czarist Russia, or the Austro-Hungarian Empire.

All these are good reasons for avoiding any mechanical transfer, any automatic prediction of a "second Poland" here or there. What is true, however, is that the Polish experience has exposed a number of problems which are common to all socialist countries. The first of these problems, in my view, is socialism's capacity to reform itself: that is, to adapt its economic, social, and political structures to the level of development of the particular country.

Jean Radavanyi: The USSR is in the unique position of being at the same time the "model's" originator and experimenter. It was the first country to try a socialist experience, under very special conditions. Certainly, it was also attempted to generalize this "model."

This is why I believe it is necessary for us to go back to this "model" itself, as it operated in the USSR. Looking at the obvious economic and social development that it produced, as well as at the distortions, hindrances, and obstacles that it developed, and that caused criticism even in the USSR itself. The treatment of the Soviet case will thus include criticism--relating to some periods more than others, it is true--regarding the concept of this "model" (not necessarily treated as such), the way in which its general and special laws are studied, and the way in which the conditions of implementation are viewed.

How can we separate these two approaches? On the one hand, we have to think about the development of socialist societies, I stress the plural, and on the other to study the concrete conditions in which these experiences have taken place, all to derive lessons for our own thinking about France.

Bernard Umbrecht: Relating to the USSR, for example.

Jean Radvanyi: For the USSR, that means trying to understand how socialism originated there and operated, as well as to understand the criticisms made of the "Soviet model," from both inside and outside.

I have the impression that some Soviet theoreticians are developing. However, sometimes it is only a shifting of the "model." On the one hand, they say: There is no "model"; there has never been one; no model has ever been imposed on anyone; Lenin himself stressed special conditions, etc. However,

the "model," though thrown out the door, returns through the window: the same theoreticians point out that there are stages of development that are controlled by laws which are absolutely necessary to the development of every socialist society. They continue: our experience proves that one cannot compromise in regard to these laws, or else...and speaking of Poland!

Bernard Umbrecht: In the press campaigns prompted by the Polish crisis there is a lot of talk about "bankruptcy" and even "collapse" of the socialist countries.

Alain Roux: It is always easy to acquire a superficial impression, described in journalistic or literary language but seen as though through the eyes of a tourist. I mean from the hotels, the few streets they walk along....

Jean Radvanyi: The downtown areas.

Alain Roux: From which, all you get is a few conclusions unconnected to any real, systematic explanation. Concerning China, for example, one can point to some increase in prices and a few disturbing phenomena such as a rise in delinquency. And the tourist, enjoying a drink in the fresh air, can propound a few phrases about the universal character of crisis, which even penetrated...the Great Wall!

However, all that is not serious. It is important in dealing with China to avoid excessive and convenient simplifications. For example, China has never been an exact copy of the Soviet Union, nor has any other socialist country for that matter. Before 1949, People's China was already partially a state, and the experience of the men who were involved influenced profoundly the building of Chinese socialism. Also, even when it did officially adopt the "Soviet model"--it was one of the rare countries to do so publicly--Mao Zedong himself stressed that this was primarily because, lacking sufficient experience, they needed to have some points of reference.

Dominique Vidal: However, what about central planning, priority to heavy industry, and the leading role of the party?

Alain Roux: A certain concept of the relationship of the party with the masses and the mass movements, trade unions, etc. Yes, these concepts were a feature of Soviet socialism, and they did appear in China, where they survived even after the break with the USSR. However, how do you differentiate what were perhaps specific needs for building a new society in a condition of relative underdevelopment--and which it would be wrong to associate with the "Soviet model"--from what was imported, a little impulsively?

Another point: If there is any country where socialism has been put to the test, it is China, and yet it has survived. Since 1958, how many times have the Chinese masses been given an opportunity to get rid of socialism? However, they have defended it, even against leaders of the party when they adopted deviant positions. To me, the fundamental historical event in China

since 1949 occurred in April 1979, when millions of Chinese demonstrated both their respect for the memory of Zhou Enlai--and thereby their commitment to a certain socialism--and their hatred of the gang of four; it was they who in a way justified in advance the gang's removal a few months later. Socialism must have proved its superiority for men to find their way, even under the worst conditions.

Dominique Vidal: And to transform it.

Alain Roux: That was my next comment. It is fashionable to describe socialism as "stalled." On the contrary, what strikes me in China is socialism's amazing capacity for reform, yet all the while remaining cautious about proclaiming what will be the consequences of this or that action taken today.

Consider the reforms undertaken since 1978 in the countryside, in particular the increase in peasant income and the reintroduction of individual farming as the fundamental basis of agriculture...and of remuneration. However, this was neither a desocializing act nor a surreptitious restoration of capitalism. The state retains the monopoly over the purchase of and trade in grain; quotas are set; there are penalties provided for failure; there still is planning; and speculation in land prices is forbidden.

Dominique Vidal: Are these evolutions also evident in other socialist countries?

Jacques Estager: Yes. The crisis in Polish agriculture, by contrast, results from failing to take into account, over decades, the fact that individual farmers are in the clear majority. The law on private farming dates from 1981.

Jean Radvanyi: In the USSR, there has been continued attention to the private plot as a necessary transitional stage in the development of collective farming.

Francis Cohen: To the Hungarians, socialism means primarily full employment, as well as a limitation on the duration and stress of work. However, considering Hungary's stage of development, labor productivity is much lower than that in the most developed capitalist countries. Hence, this thought: If one added to the work organized "socialistically," dare I say it, individual or family work, then everyone would benefit. In agriculture as well as crafts.

Jean Radvanyi: Many ideas have been mentioned in the USSR, but thus far they have been rejected.

Francis Cohen: What we are talking about, however, is in any case not a reestablishment of the private sector. These activities, though certainly private, are nonetheless within the socialist system, in the same way as our small shopowner or industrial cattlebreeder are within the capitalist system. As was declared in the last congress of the Hungarian Socialist Workers Party: We must combine an enterprising spirit with socialist organization.

Dominique Vidal: Let us go back to the famous "bankruptcy" term.

Jacques Estager: It is inaccurate to talk about "bankruptcy," even with respect to Poland. The crisis certainly exposes the liabilities, and it is serious. However, the assets are sufficiently impressive to prevent characterizing the situation as a "collapse" of socialism. Moreover, since August 1980 no one in Poland, not even in the rightwing opposition, has directly challenged the concept of socialism. In 35 years Poland first rebuilt its ruins--it had lost 45 percent of its national wealth--then transformed an essentially rural country into a modern industrial nation, with a production capacity which makes it 10th in the world. Even though the agrarian reform has not been completed, the afflictions of the past have nonetheless disappeared: 3 to 4 million farmers without land, unemployed except for 50 to 60 days a year.

The crisis we are witnessing is associated with a specific stage, the moment when a socialist society, possessing a powerful and modern production capability, must pass from an extensive mode of development to an intensive mode.

It was during this transition that the impediment appeared which caused the August 1980 crisis. The paradox is evident in two statistics: from 1972 to 1979, Poland doubled its industrial potential--through modernization--yet in 1979 industrial production declined by 2 percent. Why did the production plant and equipment not succeed in operating at full capacity? The reason was the centralized system, in which all decisions are made at the top, with the factory allowing itself to be guided by directives from above, resulting in countless bottlenecks, enormous waste--in brief, a shambles.

It therefore is necessary to move toward new forms of management, toward genuine sharing by the working class of the powers of decisionmaking and control. The heart of the Polish crisis is economic democracy, inseparable from political democracy.

Bernard Umbrecht: Two remarks which look backward, and perhaps make it possible to advance, in connection with the specific/general dialectic. The example of China is quite significant: It was perhaps not obvious to all communists a few years ago to call China a "socialist country." That says a lot about the idea of a "model." It also seems to me that resistance to too rigid an application of the model has been expressed to various degrees in the socialist countries. Isn't the Polish crisis, in some respects, both specific and symptomatic of a more general crisis?

Francis Cohen: I believe that Hungary is a good example of the capability of socialism to overcome its crises. The break with dogmatic and authoritarian methods did lead in 1956 to a major crisis, but one from which Hungarian socialism was able to survive.

The Hungarians place great emphasis on their continuing endeavor to master new problems and solve them. This is the case with the economic reform....

Dominique Vidal: ...in successive waves....

Francis Cohen: Exactly. That began in the 1960's, during which several reforms appeared in succession. One might have concluded that one failed reform was being succeeded by another, which in turn failed, and so on. However, that conclusion would not be accurate: This constant will to adapt, without fanfare or crisis, is on the contrary the characteristic of Hungary and its success.

That is also why, when dealing with Hungary, I prefer not to use the term "obstacle." There are some contradictions which have to age. The role of management is not--how could it be--to prevent the contradictions from surfacing, but rather to recognize them and settle them in time. The same is true in life: we do not really tackle a problem until it has started to cause damage. This is even more true when an agrarian country, long regarded as the poor relative of the Austro-Hungarian Empire and known for its 3 million beggars (out of 10 million people) between the two wars, moves into the industrial era. Then the question arises as to how to operate a developed economy, and all in 35 years.

Alain Roux: As for China, we must be aware of the fact that it is still an undeveloped country.

The industrial reform now underway affects 6,000 out of the 60,000 nationalized enterprises in China. These enterprises have gone over to a new type of management in which "autonomy" is stressed. The autonomy applies to issues concerning the work force, job openings, turnover, and raw materials. It is accompanied by the formation of new structures including "workers committees," elected by all the personnel, which have significant powers--even choosing the manager--and are a direct product of the rank and file. How do these workers councils really function? Is this merely a formal gesture, or is it a significant evolution? It is hard to see, for example, how these new structures tie in with the unions. They would seem to take over part of the unions' role and become the main authority. However, the Chinese leadership unquestionably links necessary economic reform with the development of enterprise democracy, even if the party members, nervous about any up-setting initiative, drag their feet...and even if the workers hesitate to grasp their new rights.

Bernard Umbrecht: But what is the relationship between factory democracy and political democracy?

Jean Radvanyi: The transition from an extensive stage to an intensive stage is not a basically economic problem: it is all-encompassing. Soviet society has become considerably "more complex." It has reached a homogenization based on certain broad criteria, involving culture, way of life, and purchasing power. At the same time, however, one observes that a number of differences are evident.

Dominique Vidal: The word "crisis" is taboo; we hesitate to use it in respect to the socialist countries. However, what you describe does fit the definition of a crisis, in the sense that there is the transition from one stage to another, with a whole series of structures under stress. Moreover, when entering a stage in which everyone's quality and quantity of production is of primary importance, does the major problem not become the relationship of the individual to the factory, to work, and to society in that country?

Francis Cohen: We must free ourselves from this taboo, which was imposed by the confusion arising over the term "crisis" in the capitalist countries. This is not the same kind of crisis. I compare the crisis of the socialist countries with that of adolescence: suddenly, things are not as they were before, it is very difficult, but one emerges with new possibilities. It remains to be determined whether socialism is still in its infancy, already in adolescence, or an adult.

Bernard Umbrecht: However, in these countries do they put the question in the same way that we are doing here today? I have the impression that there is a strong tendency in the GDR to introduce "management" methods imported from the West. This is another reason for asking the question: "How can that be effectively democratized?"

Francis Cohen: A striking thing is that there they raise the same question more and more often: shouldn't the individual be much more involved in all operations? This is true in Hungary, at least in the opinion of my contact Gyorgy Aczel. For example, there is the problem of the youths. What do you offer them? It is very difficult: not war, nor revolution, nor the wiping out of counterrevolution.

Dominique Vidal: Nor virgin lands to pioneer, because in Hungary....

Francis Cohen: Correct. What can the young people get enthusiastic about? When I asked Aczel about the issue of rock music, he did not consider it very important--though it is an issue in Hungary as everywhere else. We could cite many examples of this kind. Let us go back to how the people in these countries look at things.

First, the leaders: they are aware of the problem; they know change is needed in the way the society operates, and they think that their country is now in a condition to achieve it and that there are people capable of doing it. However, they have to worry at the same time about "keeping the machinery operating." Also, they have structures, techniques, and organized channels which do not always work very well, but at least they do operate. If we set out to sweep all that away, what would happen? Hence, there is the constant struggle between technological considerations, "managerial" in effect, and the concepts of broader responsibility, wider sharing of decision-making authority, and broader freedom for enterprises and, ultimately, individuals.

However, this concept is always accompanied by the necessity to deal with the immediate tasks and prepare for the future. So we should be on our

guard not to theorize too much, and above all not to get the idea that "we know it all."

A final point: Do individuals feel that they should have greater involvement in the various technical, economic, and political decisions? This is not always apparent. There is not necessarily an irrepressible urge on the part of the masses.

Bernard Umbrecht: A self-evident need.

Francis Cohen: Self-evident or not, at least some have become aware of it. The problem is to put people in a situation where the latent need can become self-evident, can be acted on and encouraged. For example, the Hungarian leaders believe that socialism, and particularly the current stage of socialism, assumes an inequality between financial product and social abilities, related to the real disparity between the capabilities and the training of individuals, and hence in their social contribution. However, the mass sentiment is for egalitarianism. How can we combine the two? What can we do to make this differentiation, which appears necessary to restore a little impetus to the machine, become a real, felt need?

Jean Radvanyi: There is discussion in the USSR, too, among leading cadres, highly varied discussion, and down to the lowest levels. The discussion deals particularly with the question: "How can we carry out reform?" The Soviet leaders are absolutely determined not to create a crisis situation, in the sense that they might be made vulnerable from a strategic point of view. I do not believe there is any likelihood of this, since there were previously periods of this kind, for example, at the end of the Stalin era or in Khrushchev's time.

The Russians cite inertia in the way of thinking and in the manner of accepting changes in style on the management level, etc., and certainly there is also some inertia at the working level. The introduction of experiments--the brigades, in particular--is judged by the working class and farmers in terms of the specific change in their own situation.

Dominique Vidal: They also run up against privileges, even small ones?

Francis Cohen: Beginning with the privilege to be idle, Oh, Lafargue!

Jean Radvanyi: Absolutely: in a way, labor productivity--which is low in the USSR in comparison with Western countries--is regarded as a privilege: it must not be touched. However, this is clearly no longer possible.

Then, are the discussions that are underway moving in a good direction? I believe they are, from a number of aspects. There is an encouragement to participate but it is very uneven, does not apply to everyone, and leaves many people aside. Thus, it is noted that letters from newspaper readers come mainly from the most cultured, best educated people; they are generally the ones who participate. However, the purpose is not leave anyone aside.

Not those leaders who may be deficient, who do not fulfill their tasks; we cannot do without them, we do not have enough. Not a part of the working class; everything depends on them. However, this does not prevent us from accepting our need to face policy issues head-on.

Alain Roux: In China, we have to take into consideration the Confucian world, a world uninfluenced by Christianity--another system of thought, another culture.

The Chinese written character for "individual" has an immediate connotation of egoism and a pejorative meaning, whereas the character for "collective" has positive meanings: equitable, just. In summary, the Confucian tradition conceives of the individual only within a whole, morally understood. We can understand the Chinese leaders' strong emphasis on the need to "responsibilize" Chinese as producers. It is interesting that among Mao's criticisms of the Soviet model was the idea that Stalin was forgetting man, his role in production, and the necessity to mobilize individuals.

To the Chinese people, what matter are not fundamental achievements of socialism, which they consider to be guaranteed employment--the "iron rice-bowl," as they say--and almost a right not to be exhausted by work. In this underdeveloped, miserable world, in which throughout history the human masses have always been only a handbreadth away from starvation, this is the primary consideration for the individual. And it is very difficult to progress from this concept to a work post, which one owns in a way, which provides a kind of guarantee which one can pass on to one's family--in a factory the job is often passed on to a son or a near relative--to progress, in summary, from this context of a basic guarantee to "responsibilization." Chinese productivity is low; the reject rate in the factories is high; and absenteeism is frequent.

To put it simply, there is an enormous "egalitarian" burden which operates against a certain desire for economic reform. For example, when the system of bonuses was introduced in China, the workers very often divided them among themselves in order to avoid having to select the best worker.

Dominique Vidal: Let us end, as we began, with Poland. Is not what happened there an indication of what can happen when problems that have emerged repeatedly and on a large scale, in serious political crises, are obstinately left unsolved?

Jacques Estager: The problem in Poland is reform. What has the trend toward reform run up against? Against the main aspects of the rigidity of the political system--for example, the way in which the leadership role of the party was understood: institutionalizing the party and establishing a total monopoly of power, and by extension a monopoly of appointment of persons in authority at all levels of society. This is also the source of the party-state confusion, which has resulted in an almost total depoliticization of the party into a kind of superadministration, leading itself to the hindrance of democratization and of self-management: it is the party that does everything, controls everything.

Reform has run up against the sanctification of authority, against the failure to take pluralism into account. It has also run up against the power of an entire technocracy which holds the real economic power, if not the political power as well, and which has proliferated in this excessively centralized regime.

All this has begun receiving very wide attention in Poland. Despite all the controversies and contradictions, there is at least a general consensus--it is perhaps a unifying basis for the future--in support of the idea that Poland cannot recover without a profound economic reform, and that there will be no economic reform without a political restructuring in the direction of very broad democratization. This crisis has revived in Poland--with extraordinary strength--the demand for self-management, which is a profoundly democratic demand, since ultimately it reflects the need to make democracy real.

9920

CSO: 3100/593

MAUROY DISTURBED ABOUT LEAKS FROM COUNCIL OF MINISTERS

Paris LE MATIN in French 19 Mar 82 p 7

[Article by Jacques Fleury: "A New Affair of Leaks"]

[Text] "Deliberations of the Council of Ministers being secret, we have no comment to make on some indiscretions which have appeared in the press." At Matignon yesterday the prime minister and his principal colleagues refused to refer to news items which had appeared in the leftist press noting criticisms expressed by the president against the head of government at the last Council of Ministers meeting. Moreover the Elysee, as early as yesterday morning, released a communique declaring that "Deliberations of the Council of Ministers are not public. The official communique of its proceedings and the secretary general's commentaries alone authentic....Newspapers reporting alleged indiscretions actually express only their own opinion."

There is no smoke without fire, and those clarifications deceive no one. What especially troubles the prime minister's entourage is the fact that such whispered indiscretions following "summit" meetings are all the less innocent since they can emanate only from ministers or principal Socialist party officials. There is fear that the war of rumors, as before the presidential elections, may develop anew. This "blot" does in fact reveal conflicts among persons at the head of the Socialist party which the notion of governmental solidarity can no longer mask.

So at Wednesday's Council of Ministers meeting the president, as reported by LE MATIN, sharply berated the government as responsible for the "defeat" in first-round cantonal elections. The head of state reportedly complained bitterly of the incoherence of certain governmental decisions, and of hesitations and polemics between ministries. The president is even said to have considered as very deserving "the 48 to 49 percent of voters who still vote for us."

Mauroy at the Center of Polemics

Very sharp words which did not appear in the official communique. Criticisms leveled directly at the prime minister, whom the Elysee views as mastering neither the situation nor his government.

This is the second time in less than a week that Pierre Mauroy is at the center of polemics provoked by such indiscretions. The other Thursday, a working luncheon brought to the Elysee the president, prime minister, and principal party officials. After the meal, confidences reported by AFP indicated that criticisms had been exchanged, that party leaders had torn to pieces the government's policy, judging it incoherent and lacking in boldness. Calling the president to witness, they invited him to arbitrate against the prime minister.

Publication of those indiscretions put Matignon in a state of agitation. "False," they assert, "pure inventions by journalists short of copy." Pierre Mauroy himself assumed the task of denial.

Despite the denials, all those indiscretions, cleverly made public, demonstrate the malaise existing within the PS, and place the prime minister on the tight-rope. For Pierre Mauroy, it is essential to "limit the damage" on Sunday for the runoff elections. He is issuing multiple calls for mobilization of leftist voters. "The presidential elections," he explained yesterday, "were the elections of hope; the legislative elections of 1981 were the elections of victory, and even of exaltation; and the cantonal elections of 1982, by their results, are those of hope confirmed and confidence renewed.

6145
CSO: 3100/494

JURY TO HEAR POLITICAL, INDUSTRIAL ESPIONAGE CASE

Paris LE MATIN in French 23 Feb 82 p 14

[Article by Jean Darriulat: "The Lab Assistant Turned Spy for Love"]

[Text] For the first time since the dissolution of the State Security Court, a popular jury, that of the Paris Court of Assizes, will try an espionage case: that of Marcel Aubel, 39, sometime spy for love of a beautiful East German.

First the set, staged by Presiding Judge Gaillardot, who must for the occasion have reread "The Spy Who Came in From the Cold": the foreign exchange bureau of Friedrichstrasse railroad station in East Berlin, and the checkroom just before the barriers at the West Berlin border. There, in the course of eight trips he made between February 1972 and May 1974, Marcel Aubel, alias "Victor," deposited a suitcase containing documents. In exchange, once he had crossed over to the East and handed, to a certain Fritz, the keys to the baggage check locker, he obtained a week's extension of his visa. A time of bliss he would have wished eternal, with Mariane Arndt, a young East German he had met in 1966 in Bostock [Rostock?] on the occasion of the Baltic festival. Marcel Aubel was then in the Communist party and CGT delegate at the utility meter reading company.

Six years pass. His marriage to his first wife is on the rocks. Divorce--and divorce as well on the political and union side: "It was the time of ideological debate between China and the USSR."

Aubel, who had come to work as a laboratory assistant at the French Petroleum Institute, had not forgotten the face of the beautiful German girl from Bostock. He saw her again in East Berlin on 2 February 1972, and has tried ceaselessly ever since to obtain authorization to marry her and bring her back to France.

A bit of a boy scout, "but not a mythomaniac, though hyper-anxious, tormented, introverted, and possessed of a very high moral sense," he admits having supplied documents in the course of his few trips to East Germany and his demarches with the GDR embassy in Paris to obtain the authorizations needed for his happiness--"but nothing more than economic information on French petroleum problems--in any case, no military information."

Is it a law of the genre that a spy, above all, does not look like a spy, or could Marcel Aubel be a fantastic hoaxer, capable of deceiving even expert psychiatrists? The fact remains that despite the concerted efforts of the gentlemen of the DST, prosecutor Malibert, and presiding judge Gaillardot, this story is hard to believe.

But of what, in fact, is Marcel Aubel accused? Of providing the GDR information on French petroleum imports and exports, supplies, surface or underground depots, the proposed French Petroleum Institute budget, etc.

It seems very likely, however, that his gravest fault in this affair was committed when--having become its secretary for international relations--he transmitted information on the Leftist Radicals' Movement and the condition of the French union of the Left at that time; and particularly when he delivered to the second secretary of the GDR embassy the 80-page report of the 1974 MRG congress--two days before its official publication. Are the GDR embassy's intelligence services so fatigued that they can no longer read L'HUMANITE daily?

6145

CSO: 3100/494

FOREIGN MINISTER: CONQUEST OF FALKLANDS BY ARGENTIAN WRONG

Reykjavik MORGUNBLADID in Icelandic 29 Apr 82 p 2

[Article: "Acting Foreign Minister on the Falkland Islands Dispute: Seizure of the Falklands a Definite Violation of International Law"]

[Text] "The government has not made any resolution concerning the dispute and conflict that now exist between England and Argentina over the Falkland Islands," said Tomas Arnason [minister of commerce, PP], in a continuation of a discussion on the foreign minister's Foreign Affairs Report in the Althing the evening before last. "I will not place a judicial judgment on the dispute either. It is clear, however, that the seizure of the Falklands by the Argentines is a definite violation of international law; an act of force and aggression against the inhabitants of the islands who are British and subject to British laws." The acting foreign minister also reminded people of the resolution of the UN Security Council to the effect that Argentina withdraw its military force from the Falklands and the parties seek a peaceful solution to the dispute.

The reason for this statement was an inquiry from Albert Gudmundsson [Independence Party] who spoke briefly about the conflict between the British and the Argentines during this discussion, as well as the conciliatory work performed by the Americans, which unfortunately did not turn out to be fruitful, and the danger for the world population of this dispute developing into even more serious events. Gudmundsson said he deemed it necessary for the acting foreign minister to report the view of the government on this dispute to the assembly.

Acting foreign minister Arnason responded as stated above and added that the will of the Falklanders will have to be the deciding factor in this dispute. He said further that the British embassy had reported its position on this sensitive issue to the Foreign Ministry. "I hope," said the minister, "that it will be possible, even if it is late, to implement conciliation and avoid serious conflict, the consequences of which cannot be predicted."

9583

CSO: 3111/35

BRIEFS

POLISH EMBASSY CLOSING--The Government of Poland has decided to close down the Polish Embassy in Reykjavik the beginning of June. In the future, the ambassador will reside in Oslo. For many years the embassy has been located at Grenimelur 7 in Reykjavik. Henryk Jesaki from the Polish embassy said in an interview with MORGUNBLADID yesterday that the reason for the closing of the embassy and its move to Oslo was simply a financial measure of the Polish Government, as it would be cheaper to run one embassy than two. When the embassy is closed, it will be 28 years since it opened. The current Polish ambassador to Iceland, Karol Nowakowski, will continue to be an ambassador but with residence in Oslo, as mentioned before. It has not been decided yet whether any of the embassy's staff will remain in Iceland. [Text] [Reykjavik MORGUNBLADID in Icelandic 25 Apr 82 p 44] 9583

CSO: 3111/35

CHRISTIAN PARTY SEEN BECOMING LESS RIGID ON ABORTION ISSUE

Oslo AFTENPOSTEN in Norwegian 25 May 82 p 10

[Article by Terje Svabo]

[Text] The Christian People's Party now wants more freedom of action with regard to future government participation. The prevailing opinion in the party is that the abortion issue alone should not in the long run prevent the party from entering a broad nonsocialist government coalition. On the basis of such a strategy it was awkward that the government would not support compulsory advice on abortions.

There are very few people in the Christian People's Party who see any reason to regret that prior to the election last year the party made it clear that participation in a nonsocialist government depended on its stand on the abortion issue. Even so, experience after the election has shown that it was not beneficial for the party to have been so rigid on the government issue. The prevailing opinion in the party today is that this lack of freedom of action is no longer useful.

Based on this kind of thinking, the party is looking forward to the abortion report. It is the party's hope that both the report and possible proposals to amend the law can clear debate in Storting before the party's national congress in Oslo a year from now. After such debate, the political landscape would be much tidier for the Christian People's Party. The party leadership could tell the congress that the Storting majority did not agree with the Christian People's Party. Against that background, they could recommend a softening of the rigid stand taken by the congress held in Skien last spring.

As a step in this process, it was awkward for the Christian People's Party that the government now seems unlikely to recommend compulsory advice on abortion.

On the other hand, it can be claimed that the government's stand has helped to clarify the debate and to make it very clear to the Christian People's Party that it can no longer score any points by discussing abortion in connection with government participation.

People in the Christian People's Party are now asking themselves if the Conservative development on the abortion issue can be seen as a symptom that the government party is slipping with regard to its view of human life.

The result of the Christian People's Party congress a year from now is expected to be that the party will open the door to a broad nonsocialist government coalition. However there is little reason to believe that there is a consensus in the party for immediately asking the Conservatives to join in. Many people in the party feel the initiative should be taken by the Conservatives.

Some Conservative groups have also reacted to the likelihood that the government will not back compulsory abortion advice. The standpoint will be criticized at an upcoming group meeting, but as long as Conservative representatives are given a free hand on the issue, the government's position is unlikely to make big internal political waves in the Conservative Party.

According to plan, the abortion report will be presented to the cabinet on 11 June.

6578

CSO: 3108/109

REIULF STEEN SEEN BEING PUSHED ASIDE BY LABOR PARTY

Oslo DAGBLADET in Norwegian 3 May 82 p 2

[Commentary by Ragnar Kvam, Jr.]

[Text] Reiulf Steen, former chairman for 10 years of the Labor Party, will not become editor of the new ideological political magazine Tiden Norsk Forlag had planned to publish. Now there are no plans to publish the magazine.

This is the latest manifestation of the political beating taken by Steen since he was removed as party chairman 1 year ago at the party congress in Hamar.

Since Gro Harlem Brundtland became chairman, she and her closest political associates have worked systematically to prevent Steen from obtaining a political forum within the party.

The position as editor of an ideological magazine published by a company associated with the labor movement would have been such a forum.

The list of attacks on Steen also contains the following:

In June the Nordic Labor Congress will be held in Sandefjord. It is a congress of the Nordic social democratic parties. Reiulf Steen would like to participate, especially because security policy will be a central issue, but the party leadership chose not to invite him. The former party chairman may not participate.

The labor movement is establishing its own research institute which is owned formally by LO (Federation of Trade Unions), although in practice it will be independent. Reiulf Steen is one of those who worked hard for such an institute, which will concentrate primarily on problems of interest to the trade union movement. Steen was not given a seat on the steering committee associated with the institute.

In connection with the magazine Tiden planned to publish, a series of books was to be written dealing with subjects of political debate. Chief publisher at Tiden, Trygve Johansen, once asked Reiulf Steen to edit the series, but now the invitation has been canceled.

Labor Party secretary Ivar Leveraas is chairman of the board at Tiden. He recently turned thumbs down on the entire magazine project. The administration at the publishing house was in favor of the magazine.

In the past, Steen has been subjected to the following:

He wished to be placed on the Foreign Affairs Committee when the new parliament convened after the election last fall. This did not occur after Gro Harlem Brundtland, herself a member of this committee, said no. Instead, Steen was relegated to the chairmanship of the Church and Education Committee.

There was also some talk that Steen would become the new chairman of the Oslo Labor Party to succeed Thorbjorn Berntsen, who asked to withdraw. Gro Harlem Brundtland opposed this as well.

A month ago Reiulf Steen wrote a letter to Tiden Norsk Forlag stating that he no longer could become editor of the proposed political magazine. One of the reasons he mentioned was that the idea did not have the necessary political support within the party.

Reiulf Steen receives his greatest political support from the labor movement. It was primarily trade union members who made him chairman at the dramatic congress of 1975. Even though Steen's support within the party gradually has eroded, sections of the labor movement still support Steen. The fact that he now will not become editor of the planned magazine, which certain circles within LO had looked forward to, has created bitterness at Folkets Hus and in various local organizations. Many have expressed surprise over the petty vindictiveness with which the party has treated its former chairman.

Some LO members strongly opposed the election of Gro Harlem Brundtland as party chairman. She has tried subsequently to create good relations with the labor movement, but has not succeeded to any great extent. Other party leaders have had to handle contacts with LO.

There is little reason to believe that the latest rejection of Reiulf Steen has raised the esteem of Gro Harlem at Folkets Hus.

9336
CSO: 3108/106

CONSERVATIVE WAVE SEEN RESULT OF ORGANIZATION, URBANIZATION

Oslo DAGBLADET in Norwegian 3 May 82 p 10

[Commentary by Eva Bratholm]

[Text] The conservative wave is the greatest change in Norwegian politics since the war. During the seventies the party increased its voter support by over 10 percent, it has surpassed the Labor Party in the polls, and it has created the largest and smoothest running party organization in the country. In a country that is as politically stable as Norway, this is a unique phenomenon.

In 1981 we experienced a purely Conservative Party government for the first time in 53 years. In that year the Conservative Party enjoyed its best election results since 1924. The election resulted in a nonsocialist majority and, after negotiations, the Conservative Party formed a government with the support of the Christian People's Party and the Center Party.

How was this possible, where did the new voters come from, and why did they come? Almost 800,000 people voted for the Conservative Party in the 1981 election. Opinion polls and surveys have shown that they come from all other parties, but especially from the Labor Party. A large number come from no other party, but are first-time voters who have gone directly to the Conservative Party. Much of the party's election success is due to support of the Conservative Party by young people.

Process

Why? The answer is complicated and contains at least two parts. First of all, voters have undergone an historical development and, secondly, the Conservative Party itself has changed.

At one time, the Conservative Party was an upper-class party, a party that opposed the parliamentary system and feared the spread of the right to vote. Today the Conservative Party is a popular party with broad support from all groups of voters. It claims to be our second largest "worker's party." The Conservative Party never had any strong ideology and now is a relatively middle-oriented conservative party with both "individual freedom" and "collective responsibility" in its platform.

New Needs

What happened among the voters during the decade of the conservative wave? The answer may be summarized in three statements:

1. The general increase in prosperity has created new political needs and interests. Voters with a house, a cottage in the country, a car, and a boat see the Conservative Party as the party that best looks after their interests.
2. The EC battle divided voters across traditional party boundaries. This paved the way for greater instability and changing political sympathies among voters.
3. The expansion of the welfare state has led to extensive regulation, which many voters experience as "irritating limitations, bureaucracy, a big-brother attitude, etc." This has made room for a party that opposes government regulation.

City Party

The urbanization process also is partly responsible for the conservative wave. Recent generations in Norway have moved from rural areas into the cities. In the process, they have lost their old party sympathies. Traditionally, the Conservative Party was an urban party and it continues to be strong in the cities.

But while voters have come to the cities and become Conservative Party supporters, the party also has gone out to rural areas. Before the decade of the conservative wave, the Conservative Party was an Oslo and Ostland party. Sorland, Vestland, and Nord-Norge were dominated by the Liberal Party, the Christian People's Party, and the Labor Party. In recent years the party has gained a foothold where it hardly existed before, for example in Vestland and Nord-Norge.

Outskirts of Norway

This success must be attributed to the active organizing conducted by the party in the late seventies. Statistics show that the Conservative Party increased its membership by 45 percent from 1978 to 1981. Much of this growth occurred outside traditional Conservative Party regions. It is this success in the outskirts of Norway that gave rise to the term "conservatives in national costumes." This also means that the party has broadened its cultural base with values from rural Norway. For example, the party has a vice-chairman who speaks the New Norwegian dialect, which would have been inconceivable several years ago.

Unified

What, then is the meaning of the conservative wave? If we limit the wave to the Conservative Party, its success may be summarized as follows:

1. The party gradually has assumed a more popular image. Most people can identify with the party. In addition, it has supported popular individual issues that appeal to the majority, for example tax relief, the dissolution of housing cooperatives, and the battle against bureaucracy.
2. The party has had a unified leadership without internal quarreling.
3. It has established a large and well-oiled party organization.
4. The party capitalized on the mistakes of the Labor Party government.

Prosperity

One primary reason why the Conservative Party could form a government in 1981 was that youth voted for the Conservative Party. All the opinion polls show that the Conservative Party enjoys strong support among young people. The reason for this is subject to debate, but most would agree that the post-war generations that have grown up under prosperity are close to the Conservative Party. The party also has appealed strongly to young people--and with great success. The fact that this occurred during the seventies may also be related to the decline of the political radicalism of the late sixties.

The term "conservative wave" in itself indicates one reason for the dramatic change in Norwegian politics. A wave is a movement that carries more water along with it--just as a party on the rise carries more voters than a party in decline.

9336

CSO: 3108/106

FOREIGN MINISTER: STOP AUTOMATIC INCREASES FOR AID PROJECTS

Stockholm DAGENS NYHETER in Swedish 19 May 82 p 6

[Article by Kaa Eneberg: "Ullsten Wants To Change The 'Automatic Principle': Aid Will Be Linked To Special Projects"]

[Text] The automatic increases every year to the countries which receive aid from Sweden must stop. Instead the aid should be linked to special development projects. The total amount of aid, one percent of the GNP, should continue to increase as permitted by economic conditions.

This was said by Foreign Minister Ola Ullsten (Liberal Party) in an interview with DAGENS NYHETER on Tuesday. The Liberal Party leader, who is responsible for foreign aid, has recently been criticized by the Riksdag for the handling of the Kotmale project in Sri Lanka.

Ullsten, who the Riksdag said should have kept the leadership better informed, now points to the hydraulic power project as a very good project.

"During its construction it is giving work to several thousand Sri Lankans, and in the future it will create electricity, which means that the country can reduce its dependence on oil. That will lead to increased industrialization.

"But the fact that Sri Lanka will in the next few years need increased aid contributions--155 million kronor has been requested for the next budget year--does not mean that the aid will remain at that level."

Ullsten believes that it is now time to depart from the principle which has been in force for the 20 years that Sweden has been giving aid--that grants to receiving countries are automatically increased. If the grants have not been directly increased, there has at least been an attempt to compensate for inflation.

Nonpolitical 'Bump'

"The different aid grants must be more tailored to direct needs. Each 'bump' should not be interpreted as a political measure."

Ullsten himself points out that the grants to Vietnam, previously our greatest aid recipient, are being reduced according to that principle. Grants to the controversial paper industry project at Bai Bang have been reduced since the project has been completed.

According to that principle, Vietnam is free to "come forth with a new and reasonable project" so that the grants to that country can perhaps be increased again, said Ullsten.

Ullsten points out, however, that he is not especially critical of the policies in effect for aid.

"It was reasonable to increase the so-called country criteria during the development phase, when our foreign aid was still small. But now when we are giving one percent of our GNP, we must find a new basis."

Our Fixed Areas

He said, however, that he is willing to retain the system of "country criteria" for our fixed areas in about 20 countries. But it is important to have reasonable criteria. Besides, Sweden should make contributions in "sectors," meaning areas in which we are proficient. Ullsten mentioned energy and transportation.

"Then other countries besides just the traditional recipients should get Swedish help."

As examples of such good contributions he mentioned the grant to southern Africa for improving the area's transportation system. If one of the so-called Rand countries beside South Africa had not happened to be a so-called program country, it still would have received support from Sweden, said Ullsten.

Ullsten also wants to have a combined picture of the different contributions in the third world, those made by governments, voluntary organizations and businesses.

"That would help everyone," he said.

Creating Problems

In addition, relations between the aid organization SIDA [Swedish International Development Authority] and the Foreign Ministry where some 50 people are working on aid matters should be looked into.

"SIDA is the only office which is subordinated to the Foreign Ministry. That relationship creates certain international problems."

Ullsten also wants each aid project to be judged by itself. It is not fair to judge the effect of Swedish aid on a country, primarily because it is still such a small part of the receiving country's budget.

In several recent speeches, including one in Helsinki on Monday, Ullsten has said that the guidelines for Swedish aid, as they have existed for 20 years, are not always compatible with each other.

Unfortunate Results

"Should we refrain from projects which would increase income chasms in a country, even if they would simultaneously contribute to improving living conditions for all?"

This question has been directed to those who criticized the Kotmale project in Sri Lanka.

An aid recipient which has been pointed out several times this spring is Tanzania in East Africa, which now heads the aid list with 440 million kronor.

Tanzania is a country which chose to utilize economic strategies which looked fine on paper, but which in practice gave very unfortunate results. The socialist nation is today very dependent on aid, and finds itself in a deep economic crisis.

The Liberal Party leader emphasized that the "one percent goal" must only be seen as a goal along the way. Foreign aid will be increased as the Swedish economy improves, he said.

9287

CSO: 3109/166

VPK VICE CHAIRMAN MARKLUND QUITTING RIKSDAG

Stockholm DAGENS NYHETER in Swedish 9 May 82 p 6

[Article by Kaa Eneberg]

[Text] "We'll no doubt pull through this time, too. Our party has certainly been through worse things!"

Eivor Marklund, 51, vice chairman of the Left Party-Communists (VPK), laughs at the public opinion polls with her special laugh--they show that her party is in danger of dropping below the 4-percent line, and thus out of Parliament.

Eivor Marklund herself is leaving Parliament after 15 parliamentary sessions--tough years of long commuting to her home in Kiruna. She has had enough. Instead, she will work for the party on the municipal council, where the Communists have nine seats (with the VPK holding seven), and do her job on the committee looking into the uncertain future of the ore district.

Anger and Tears

Her laugh is undeniably a story in itself. It rolls out cheerfully with unconcern and warmth, as it did on 1 May, when Eivor Marklund, all dressed up and with her hair freshly done, was being hugged by old party comrades in Pajala--in a dilapidated people's hall on the frozen Torne River that was festively decorated with wreaths of crepe paper and red banners.

But her laugh can also resound with exhaustion, as it does after debates in Parliament with Minister of Industry Nils G. Asling (Center Party) concerning the future of Norrbotten and the ore district, when there is a hint of both anger and tears.

A conversation with DAGENS NYHETER in her snug and cozy apartment on Kiruna's Hogalidshojden [Street] concerning her 36 years of active party work provided samples of the entire range of her laughter.

Danced In

It is said in the party that Eivor Marklund has laughed her way through a good many hardships both in her private life and in party politics. Personally, she prefers to talk about the importance of dancing.

Eivor Marklund was only 15 years old when she attended dances held in Kiruna by the Swedish Communist Youth League (SKU) and was recruited as a member.

"I danced into politics, and I can tell you that I have been told about it many times! An example is the time when the party conflict in the Norrbotten district was at its worst. I would come home from Lulea crying and boiling with anger at the 'old men.' Then Dad always used to get me back in good humor by saying: 'But the dancing was certainly fun.'"

Eivor Marklund laughs warmly at the memory of her parents, who throughout their lives were the mainstay for her and her family--two daughters who are now grown.

Dream of Peace

Neither of her parents was active politically during Eivor Marklund's childhood. But she knew where their sympathies lay. The construction worker and the former household maid from Tornedalen created a genuine working class home in the house they had built themselves. It was a persevering, conscientious, and very happy home with six children.

"FLAMMAN"--the party newspaper NORRSKENSFLAMMAN that now belongs to the break-away APK [Workers Communist Party]--was always in the home. But direct party politics was never discussed.

Eivor Marklund says: "It was chiefly the dream of a lasting peace that got me more deeply involved in politics. The war was fresh in our memories then, of course. The air-raid warnings and incendiary bombs over Pajala and the Germans in Norway--which was not far away, of course--all of that left a terribly strong impression."

The labor movement traditionally has a strong foothold in Norrbotten and the ore district. Eivor Marklund does not recall that it was ever difficult to be a Communist.

"No, not here in Norrbotten, but we have heard other people in other places in the country tell about their difficulties. I remember one time when Dad bought FLAMMAN during the ban on transportation, when the newspaper could not be distributed. A policeman pointed out that it was illegal to carry the newspaper openly. But Dad refused to conceal it. And the policeman just looked the other way."

Eivor Marklund stands with her fist clenched when she sings the "Internationale" in Pajala "for a better world," as she says.

Classless

But it was not anger over the injustices in Kiruna that drove her into politics. On the contrary, she regards the newly built city of Kiruna as a relatively equal and classless community.

She points out that it has not had the same problems as other places, chiefly the company towns, which have a ruling class and a working class. And no farm laborers dependent on the landowners.

"Everything in the community revolved around the mines and the ore, of course. Naturally, there were children who were better off, perhaps--the children of the LKAB [LKAB Mining Company] managers--but we all went to the same schools and played together: the 'corporation kids' from Villa Street and the rest of us. At that time, too, the LKAB was also very responsible socially. It even established the first vocational school, where I myself took the course in domestic science."

To Moscow

Like many others up here, the parents spoke Finnish. And so does Eivor Marklund.

After working at various practical jobs, she attended the Sunnerby Folk High School just outside Lulea. The Communist Party then recruited her and a group of others to go to school in Moscow. She went there with a passion that, for one thing, had gathered momentum at the Communist Youth Festival in Berlin in 1951, which marked her first trip abroad. She spent 3 years in Moscow studying Russian and communist theory.

"There was a lot of real cramming with literature such as "Das Kapital" by Karl Marx. It was also noted in our classes that more reformist paths had been marked out by Hjalmar Branting in Sweden, among others."

The years in Moscow turned Eivor Marklund into a convinced Communist. Chiefly because while there, she was able to experience the "breaking of the ice" and the sudden openness that followed the 1956 party congress, when Nikita Khrushchev killed off the Stalin cult.

"There was a liberating openness, and I learned how the Russians talk things over. It was very useful to me later, when the party split up here at home."

Painful Memory

Eivor Marklund says: "With that knowledge, I could really argue that even the Russians themselves were questioning a lot of things in the old theories."

During a visit home, she learned about the revolt in Hungary which the Russians brutally crushed. Despite the openness in Moscow, the Russians did not know much about it.

She says: "Then I thought for a while that I no longer wanted to be part of it. But Fred, whom I had met at school and later married, convinced me that we were not going to build our Swedish socialism in Hungary or any other country except Sweden."

Her memory of Fred, the worker from Vasterbotten, is painful. He died at home in Stockholm of a brain tumor while Eivor Marklund was expecting their second child. He was secretary of the youth league. Eivor Marklund moved back to her hometown where, among other things, she became FLAMMAN's local correspondent. She was torn between her children and the party.

Everyday Grind

She says: "Without my parents I would never have been able to cope with politics." It became a life of long days of toil, with trips and heartrending party conflicts. There was not much time left over for indulging in the dreams about a socialist society which, as Eivor Marklund said in Pajala, the labor movement must have.

The 1956 party congress in Moscow was a watershed for the Swedish Communist Party. C.H. Hermansson saw Eivor Marklund for the first time in connection with that party congress, and she later became his mouthpiece in Norrbotten when the struggle between the Stalinists and the "reformists," as they were scornfully called, was at its worst.

Eivor Marklund says: "Those were long and painful years." As early as 1968--10 years before the split in the party--Eivor Marklund had to choose between taking over the job in Parliament and leaving it to a "FLAMMAN candidate."

Closely Knit

"I will never forget the time when C.H. Hermansson and Lars Werner talked me into it. We were steaming up and down a corridor squabbling about it."

That was the year of the coup in Prague, which had a dramatic effect on the election results. Many people left the party, among them Rolf Utberg, chairman of the youth league and a close family friend. The party had only 2 or 3 percent of the vote--that was before the 4-percent rule was adopted--and only four members in Parliament.

The group became a very closely knit gang, with Marklund, C.H. Hermansson, and Gunnel Ryding in the Second Chamber and Lars Werner in the First Chamber.

The 1970's were marked by new tensions and ruptures. Eivor Marklund regrets today that "it had to be that way"--and by that she means the party split in 1978. Actually, that split did not come about primarily because of any serious differences of opinion. It was more the result of a personality clash. Eivor Marklund says of the APK members: "It is ridiculous, of course, to claim that they are more faithful to Moscow."

"Alf Lovenborg, leader of the APK, and I used to joke about the fact that as soon as we crossed the Pite River, we could start talking to each other again as usual."

Security

Is communism needed in today's welfare Sweden?

Eivor Marklund has no doubts on that score.

"Of course we are better off materially. I remember how, when I was a child, the women--even my mother--had to lug water and chop the ice to get the washing done. No one has to do that today. But one thing has not changed at all.

"And that is security--the assurance that one will have a job in the future--and that has not changed a bit since the 1930's."

Just think of the mining jobs at the LKAB: 900 are going to be eliminated, and periodic layoffs are already underway. And there was a time when those were the most secure of jobs.

Eivor Marklund shakes her head at the argument that the Communist Party is not considered democratic.

"Ridiculous. What does one call the measures adopted against the Communists during the war--the ban on transportation and the internments? Was that democratic, maybe?"

Below the Minimum

If the party drops below the 4-percent line and loses its representation in Parliament, there is a chance that it will still have a voice in Parliament because of its strength in Norrbotten alone.

Twelve percent of the vote will entitle the party to a seat. In the last election, it came close to 11 percent. Just over 4,000 Communist votes went to the APK. The VPK expects to win most of them this fall. But when that happens, the member of Parliament will be no longer Marklund but Paul Lestander, who is well known from the forest workers strike.

In the past, the party has lost voters because of the Soviet Union's outrages against small nations: Hungary, Czechoslovakia, and so on. Marklund does not believe that the invasion of Afghanistan will have that same effect in this fall's election.

She says: "We have said what we think about that. At the party congress in Moscow last year, I spoke about the right of small nations to govern themselves, and there was no doubt that it was Afghanistan that was being referred to."

11798

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SDP SEEN BENEFICIARY OF YOUTH CONCERN OVER PEACE, JOBS

Stockholm 7 DAGAR in Swedish 7 May 82 pp 16-17

[Commentary by Eva Hamilton]

[Text] If there were an election today, 52 percent of the first-time voters would vote Social Democratic. They are attracted by the issues of peace and employment. The peace movement has become a gift from above for the party.

Since as early as last summer, Olof Palme has felt that peace would be an election issue. Peace and employment. So those were the obvious key slogans when plans for the 1 May celebration were being nailed together early in January.

And it has been no drawback either, of course, that those are precisely the two issues of most interest to first-time voters, of which there are 350,000.

Traditionally, the Social Democrats are usually wretched when it comes to attracting young people. In the last election, only one-third of them wanted Palme as prime minister.

It seems that things will go considerably better this time. Sensationally well, in fact. Because if there were an election today, 52 percent of the first-time voters would vote Social Democratic.

Peace a Good Issue

Palme's associates explain that young people are worried about not finding a job and that they are afraid of nuclear weapons--and in both cases, the Social Democrats have built themselves an image based on their employment program and their support for a nuclear-free zone in Scandinavia.

His associates say: "Besides, the Social Democrats are no longer associated with the establishment--with bureaucracy and the state--as they were for several years after the SAP [Social Democratic Labor Party] lost control of the government."

Palme himself likes to tell about this spring's visits to various schools and how auditoriums would become absolutely quiet when he began talking about Hiroshima.

"Even the ones standing around the school door shouting 'kill Palme' would stop short and begin to listen."

The peace movement has come like a gift from above for the Social Democrats. What with the Palme Commission, Alva Myrdal, Inga Thorsson, and the pacifist traditions before World War I, a peace tradition already existed in the party.

Now it was just a matter of hanging on to it--no special educational programs of the kind needed for the wage earner funds had to be worked out at party headquarters on Svea Road. Despite the talk to the effect that peace must not become an issue separating the parties, the Social Democrats are well aware that they, together with the VPK [Left Party-Communists], have the next thing to a monopoly on the peace movement.

They could afford to send all the other parties an invitation to take part in the first section of the demonstration march--a nonpolitical peace section. No other party representatives would even turn up.

Olof Palme's international commitments suddenly also became useful in the election campaign. No one criticizes him any longer for being more interested in the negotiations between Iran and Iraq than in the budget bill. On the contrary, it is beginning to be possible to use his many trips abroad to the party's advantage.

Like Old Times

Peace and employment. Old party workers feel that they are on home ground for the first time in several years. They were clumsy in handling the environmental movement during the 1970's. And they were even more awkward when public opinion swung away from technological growth to support a small-scale antinuclear-power society.

Now things are beginning to be like old times, with issues affecting the wallet: social security and unemployment.

They say: "It is almost like the 1932 election."

That was the year that the Social Democrats won on their employment program and their concentration on welfare Sweden. And they stayed in power for 40 years.

The concern this past winter that the wage earner funds would wreck one more election victory is now beginning to fade away. Party strategists are thanking the SAF (Swedish Employers' Confederation) for that.

Reversing its usual custom, the SAF chose this time to openly enter the campaign against the wage earner funds. The Social Democrats were not slow to take advantage of the opportunity to add a touch of class struggle to the fund issue: it was the employers against the employees. Capitalism against the workers' justified demand to be part of the game and to share in the profits.

Qualifying Period: Fight Is Over

When Falldin launched his proposal on the qualifying period, the most worried members of the labor movement calmed down. The Social Democrats had gotten their counterammunition for dealing with the threat of fund socialism.

That social disarmament is now becoming the election's third big issue.

For example, when party secretary Sten Andersson made his speeches on 1 May in Ostersund and Hammarstrand, he thundered: "The qualifying period may mean that someone who is already on a low income will lose 2,400 kronor per year."

But now the quarrel over the qualifying period has probably reached its peak. On the eve of the next SIFO [Swedish Institute for Public Opinion Polls] survey, which will soon be published, the Social Democrats do not expect to repeat their record-high March figure of 49.5 percent (the nonsocialists got 43 percent).

The reason is that the Center and Liberal Parties have gone on the counteroffensive. Together with the Conservatives, they are pushing the theme of the irresponsible Social Democratic economic policy, which will lead to more tax increases and higher budget deficits.

"We are now trying to refute the assertion concerning our economic irresponsibility. But it is quite new, of course, so perhaps we have not yet put our arguments across," says Leif Gustafsson, the Social Democratic public relations chief.

Where the Money Will Come From

In any case, this is how the Social Democratic answer will sound:

1. The value-added tax will be increased by 2 percent.
2. Tax reserve savings will be abolished.

That is how the restored social reforms will be paid for. The increase in the valued-added tax means that we are back where we were in September. And the Social Democrats hope that that increase will be so small that it will scarcely be noticed.

As far as tax reserve savings are concerned, Olof Palme usually justifies their abolishment as follows:

"For every 1,000 kronor deposited by someone belonging to the system, Papa Wirten [minister of economy] pays 650 kronor. In other words, it is the government and the taxpayers who are subsidizing the growing bank accounts held by tax reserve savers."

The Social Democrats believe that the government will pull in 2 billion kronor by eliminating the possibility of setting aside tax reserves.

Where Is the Environmental Party Headed?

This week the information people are starting their final work before the election campaign. The topics for election posters will be put in their final form. The planning is meticulous, with leeway for unexpected events that may occur later in the summer.

Actually, only one thing is entirely beyond the control of the Social Democrats, and that is the possibility that the Environmental Party might steal votes from its old crony in Parliament, the VPK [Left Party-Communists].

If the VPK does not clear the 4-percent hurdle, the Social Democrats will have to win their own majority.

Otherwise, the small Environmental Party may indirectly become the little stroke that fells the oak.

11798

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PAPER HITS 'FUND' AS ENTERING WEDGE OF SOCIALISM

Stockholm DAGENS NYHETER in Swedish 9 May 82 p 2

[Editorial by Nils-Eric Sandberg]

[Text] The trade union funds involve a tremendous experiment with the Swedish economy. How is it likely to turn out?

Nothing serious will happen, according to the Social Democratic defense of that proposal by the LO [Swedish Federation of Trade Unions] and the SAP [Social Democratic Labor Party]. The wage earners will acquire a share of influence and participate in the formation of wealth; collective capital formation will increase savings and investments and make jobs secure. Otherwise, nothing will change: the firms will invest, produce, compete, and expand. In that sense, everything will be as usual, but better.

Economic models are used to analyze the way in which new factors--higher taxes, higher interest, and so on--influence the course of events. To isolate just one particular effect, it is assumed that everything else will remain the same ("other things being equal").

In reality, however, a change in one factor usually has repercussions on everything else in economic life. So the assumption that "everything else is equal" is an extreme simplification that is made just to make the model simple and manageable.

The defense for the trade union funds makes the same assumption: the funds will be introduced and will improve the economy--everything else will remain the same. But in this case, that assumption is not a conscious simplification of a model. What we are dealing with here is reality.

Can we be sure that the model is correct?

This is how the funds will be built up. All employers will pay a percentage of their payroll to the funds. That is actually a tax, but the proposal calls it an "increased contribution to the ATP [general supplementary pension plan]." In addition, all corporations will pay a certain percentage of their profits (20 percent of the profits exceeding 15 percent of their capital and reserves). In current political usage, that tax on profits is called a "profit-sharing contribution."

If the payroll tax is deducted from wage settlements, it will be borne by the wage earners. Otherwise, it will be charged against the firm's profits--in other words, it will be passed on to consumers in the form of higher prices. In the latter case, the firm's competitiveness with foreign firms will decline. (It will never be possible to figure out exactly who is bearing the tax.)

The tax on profits will hit the efficient firms--those that operate rationally and have profitable products. Since profitable investments must be made in growth firms in industries with a future, the tax on profits will reduce the capacity for just such investments.

Relatively speaking, the small firms will have to pay the most. The reason is that they have relatively low capital and reserves, and according to the fund's definitions, even a low return on working capital will easily become high "excess profits"--and extra tax will have to be paid to the funds. Newly established firms start out with little capital. If they develop some brilliant discovery very successfully, they will have to pay an extra-large tax to the fund with the money that would otherwise be invested in the firm.

So the funds will take money out of the firms based on the principle that the most successful must pay the most. The money will be returned to the firms in the form of stock purchases and issues. One main purpose of the funds is that they should give the union leadership influence over the firms. Since stock purchases will be managed with that goal in mind, investments and capital flows will be examined according to the power strategy of the unions, not according to the expected profitability of the various projects.

The other main purpose of the funds is to "make jobs secure." All our experience with political and union demands on the firms shows that the fund managing boards will demand a return in terms of employment. The biggest employment gains, for the moment, can be made in insolvent firms. So there is a big risk that those exact firms will get most of the money taken away from the most expansionary and profitable firms.

The union organizations are strongly centralized. The largest one lives in symbiosis with the Social Democratic Party. In a "fund Sweden" with a Social Democratic government, the union and political leaders will be managing unions, politics, and the firms simultaneously and, as Marjasin has said, "The SAF [Swedish Employers' Confederation] will not be needed then." That power center can then manage the investments and decide how much competition it wants to have in its own circle.

To a large extent, our prosperity is a product of the market economy; a comparison of market economies with socialist countries in the industrial world bears out that statement very well. The market economy works on the basis of decentralization and profit maximization; company managers and boards invest expecting a profit, and people with ideas and discoveries start firms to develop an idea--to make money.

The funds will weaken incentive and the driving mechanisms in the market economy. But according to the LO and SAP leaders, the funds will not hurt the

market economy at all: they will only operate as funds, "all other things being equal." Does that sound likely?

The funds mean socialization. Since the firms will be bought with their own money and stock prices will be forced down, the result is confiscation. After the funds have gone into operation, they may develop a taste for more. What guarantees do we have--we, the consumers, employees, small businessmen, and stock investors--that the fund system's payroll tax and tax on profits will not be drastically increased and expanded as times goes on?

None, absolutely none.

11798
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PAPER DOUBTS PALME PLEDGE TO EXEMPT SMALL FIRMS FROM FUND

Stockholm DAGENS NYHETER in Swedish 13 May 82 p 2

[Editorial by Nils-Eric Sandberg]

[Text] The Social Democrats and the LO [Swedish Federation of Trade Unions] will change their proposal on collective funds on one important point, according to Olof Palme and Thage Peterson. Certain very small firms will be exempt from profit sharing.

The background is this. Under the proposal, 20 percent of the profits exceeding 15 percent of a firm's capital and reserves will be taken by the funds. By that measurement, there will be big profits in firms with low capital and reserves. Small firms usually have less capital in relation to turnover than big firms, and this is especially true of newly established firms. They would therefore be hit harder by profit sharing as outlined in the proposal.

The Social Democrats have been listening to the criticism and "are now working on a change." They will probably introduce a basic deduction exempting the smallest firms.

That is only a marginal change. The finances of small firms are determined largely by their markets, which are dominated by big customers--that is, the big firms--whose purchasing policies will henceforth be colored by the strategies of the fund managing boards after the latter take over.

And expanding small firms whose profits rise above the basic deduction amount will suffer a sharp tax bite out of the difference. The tax for the funds hits precisely those profits that should finance a firm's expansion--and that naturally makes the firms more dependent on the funds for financing.

The obvious question is this: how long will that change last? What will happen if the unions and fund managing boards are not satisfied after a few years with the rate at which they are taking over? What would prevent a socialist majority in Parliament from increasing the tax on profits and the fund contribution levied on the firms? Nothing. What guarantees do the businessmen and voters have that the socialization process will not be speeded up? None.

11798

CSO: 3109/158

BRIEFS

PARTIES AGREE ON WEAPONS-EXPORT RESTRICTING--The bourgeois majority--Center, Liberal and Conservative Parties--in the Foreign Affairs Committee of the Riksdag agreed with the Social Democrats and the Left Party Communists that better control of Swedish weapons exporting is needed. But because the Ministry of Trade is already preparing a recommendation for improved statistics in this area, the bourgeois parties do not want to take any special measures on this question. The Social Democrats are not satisfied. They demanded that the committee study a recommendation from the Central Bureau of Statistics on better control of weapons exporting. The Social Democrats also want the government each year to list the countries which have purchased weapons from Sweden, and the firms which export weapons. [Text] [Stockholm DAGENS NYHETER in Swedish 21 May 82 p 7] 9287

INDEPENDENT VOTERS' NUMBER INCREASES--The situation is very stable both between the political blocs and for the individual parties. The only category that is increasing noticeably is that of the "independent voters"--that is, those who either cannot or will not say which party they consider the best. They now total 6 percent of those consulted. This is shown in the SIFO [Swedish Institute for Public Opinion Polls] voter barometer for April, which was published in the newspapers ARBETET, GOTEBORGS-POSTEN, SKANSKA DAGBLADET, and SVENSKA DAGBLADET on Sunday. The Social Democrats and the Left Party-Communists are maintaining their lead, with a combined total of 52.2 percent, while the Center, Liberal, and Conservative Parties together have 43 percent. [Text] [Stockholm DAGENS NYHETER in Swedish 10 May 82 p 6] 11798

CSO: 3109/158

REPORTER OBSERVES LAND EXERCISE, AIR BUILDUP IN LAPLAND

Defense Strengthened in Finnish Lapland

Oslo AFTENPOSTEN in Norwegian 27 May 82 p 49

[Article by Knut Falchenberg]

[Text] Sodankyla--As in neighboring countries, Finland is strengthening its military defenses in the northernmost part of the country. In July an artillery regiment from the south will be transferred there, completing the buildup of a new brigade in Lapland. The soldiers here have short haircuts and are equipped with bicycles. The training is strenuous. Nine out of ten Finnish men complete basic training.

"It is hard to say who might attack us here. At any rate, I think it is possible to defend Lapland," Private Tapio Heikkala said diplomatically. When he was interviewed by AFTENPOSTEN he was neutral down to his fingertips, but he confided to us that at least he did not fear an immediate Norwegian attack.

Private Heikkala has got a "soft job" with the new combat brigade in Sodankyla, in his opinion. He is a driver and is licensed to drive heavy trucks. "I have a skilled job," he said. In return he must serve 11 months instead of the 8 that are customary for Finnish draftees. The daily pay is about a third of that received by Norwegian soldiers. Tapio Heikkala gets 6.75 marks a day.

"The main problem is that there is not enough money to go home on when we have leave," he said. During the 11 months he must serve, he is entitled to ten free trips home. He must pay for the rest himself.

Here in the special combat brigade, soldiers serve every third Sunday and as a rule there are night maneuvers each Thursday. One night a week, soldiers can stay out until midnight unless they are on duty. Otherwise evening leaves are restricted to 1830 to 2100 hours and not everyone can go at the same time. General night leave is unknown here.

The discipline is more visible here than in Norway; the haircuts are short and stiff salutes are given constantly. It is hard to find anyone shirking his duty here.

But even though the work may seem harder here than on the Norwegian side of the border, there are more who complete their tour of duty here. In Norway, four out of ten usually drop out of each year's batch of recruits.

Wilhelm Stewen, chief of general staff in Helsinki, could not explain the difference between the two countries, but said that of all Finnish men born in 1950, 90.5 percent had completed their tour of duty. "A third of those who did not serve are exempt only in peacetime," he said. These percentages vary somewhat from one year to another.

Best Division

The new special combat brigade's main base is in Sodankyla, a few miles north of the Arctic Circle. It is the best-equipped division in the country and with the exception of three semi-civilian border patrol companies, the combat brigade is the only standing army division of any size in North Finland.

"The improvement of our defenses in the north is connected with the importance we assign to Lapland," the chief of the brigade, Colonel Tuomo Tuominen said to AFTENPOSTEN.

As early as 1964 there was a small garrison in his region, but it was not until October 1979 that a brigade was formally established.

"It did not happen in a single day and we are still growing to full effectiveness. This summer the brigade will be reinforced with an artillery regiment that is being transferred from Uleaborg, further south of here," said Colonel Tuominen. "In peacetime the brigade will consist of roughly 2000 people, but under mobilization it would grow considerably. In that event, other brigades in the region would also be mobilized," he said without giving figures. The brigade chief said that the terrain in Lapland is rugged even though it is relatively flat compared with North Norway.

"It is extremely difficult to operate armored vehicles off solid roadways. Only those familiar with the area can manage that. There are swamps and lakes in the summertime and in the winter there are enormous quantities of snow and the temperature often goes down to minus 40 degrees [C]. We have anti-tank missiles that can be fired from the shoulder and mines are very effective," Colonel Tuominen said.

The base area in Sodankyla is bustling with activity. Pioneer troops are hard at work repairing the road network and in the garage we found soldier Jarmo Mayanen who was repairing one of the brigade's very few Soviet tanks of the T-54 type and on a gravel road, a squad on bicycles showed up. In

Finland everyone is supplied with a personal bicycle, a national military specialty they have great faith in. Just 6 weeks after entering service, each soldier must cycle 500 kilometers in 4 days. Along the way, they traditionally halt at a mountain slope where the soldiers make an oath. They pledge obedience to the fatherland and the legal government.

The typical soldier spends between 40 and 50 days outside in the course of his service. In the summer on his bicycle, in the winter on skis, but always armed. One advantage of the Finnish army training is that an individual soldier serves in the same platoon from the first day to the last without hopping around between schools and other divisions.

Radar Sees Both Soviets and NATO

Oslo AFTENPOSTEN in Norwegian 27 May 82 p 49

[Article by Knut Falchenberg]

[Text] Rovaniemi--No one is more aware of Finland's volatile location than the air force. From its radar stations, officers can follow NATO planes over Troms, Soviet planes over Kola and Swedish planes close to the western border. The air space must be defended and here in Rovaniemi the airplanes are always ready. At least once a month, the alarm sounds. The Finnish pilots know that the closest national border is only 4 minutes of flying time away.

If a neighboring country decided to violate Finnish air space, it would risk running straight into its own weapons systems. For the Finnish Air Force uses both Swedish-built Draken planes and Soviet MIG-21 fighters, both equipped with Swedish and Soviet missiles respectively.

"We train primarily in plane-to-plane combat. The task is to secure the air space. Therefore we spend very little time training personnel to attack ground targets," AFTENPOSTEN was told at the Lapland air division in Rovaniemi. This base operates the Draken planes, while a base at the town of Kuopio, southeast of here, has MIG-21 planes.

There is an agreement with the Soviet Union on not allowing closeup photos of Soviet-built weapons systems. When the press shows up in Finland, therefore, the guns on naval vessels are covered with tarpaulins, in the army the tanks are usually in the garage and in the air force, the MIG fighters in Kuopio are not shown. The restrictions against displaying Soviet materiel are part of the purchase agreement, AFTENPOSTEN learned in Helsinki. When it comes to western materiel and other installations, the general staff itself has imposed visiting and photo restrictions on the divisions which are stricter than they are in NATO countries.

We were told by the Lapland air squadron that the base in Rovaniemi consists of 700 men. Pilots are trained here and an undisclosed number of Draken planes stand ready to secure air supremacy in the area. It was our impression that about a dozen planes are involved. Pilots who have completed their training have around 100 flying hours a year, half the amount normally flown by Norwegian fighter pilots. The pilots also do some flying in simulators.

In North Finland there are 10 air bases in all that can handle the fighter planes and in addition, any traveler can see that in some parts of Finland the national highways are twice as wide as normal roads. These stretches of highway make up so-called highway bases where fighter planes can be brought down, refueled and loaded with ammunition for further flights.

On weekdays, training takes up all the time, but airplanes are always kept ready. AFTENPOSTEN was told that "more frequently than once a month," the alarm sounds. This happens when alien planes have come too close to the border or are behaving so strangely that the central command sends up its own planes to try to identify alien planes near the border if possible. Some of the radar network is outmoded but improvement is in sight with regard to monitoring lower altitudes and using computer hookups to register optical observations. This improvement is combined with the purchase of short-range anti-aircraft defenses.

The Finnish Air Force has less than 50 combat planes in all, including training fighters, and under the 1947 peace agreement the country is committed to having no more than 60. This limitation has become increasingly easy to live with from a military point of view as modern planes become more efficient and at the same time much more expensive. When the war ended, Finland had over 500 airplanes, including 2-300 fighters. In the current situation, the country would hardly have been able to afford any radical escalation of air defenses above the limits set by the agreement. As it is, more than half the military investments in recent years have gone to this branch of the service.

Northern Reinforcement

In March the third parliamentary Defense Committee issued a report that will set guidelines for the development of the defense system for the next 5 years. Among other things, it recommends the acquisition of a half squadron of fighter planes, a renewal of long-range radar and the purchase of mobile anti-aircraft missiles for the purpose of defending the country's most exposed border areas in the north. In addition, the armed forces should acquire modern equipment to combat the so-called cruise missiles when such equipment has been developed, in the view of the committee.

In its report, the committee pointed out that the defense of Lapland is of very special importance based on the type of military conflicts that seem most likely in the current military situation. Reinforcement of the garrisons in North Finland has now reached a point where in peacetime, half the

fighter planes and a third of the army are stationed here. It is said that numerically the forces are comparable to those stationed in northern Sweden and in North Norway. The parliamentary committee also said in its report that key air defense installations should be made bomb-proof. And troops that might be used in Lapland should have their refresher maneuvers there with equipment adapted to the harsh climate found in Lapland.

A quick glance at the map--with Norwegian eyes--shows that Finnish Lapland could be well-suited as a passage area for attackers coming from the East. The more defense determination and capacity the Finns can muster, the better the protection for the North Norway Brigade and all other divisions on the Norwegian side of the border.

6578

CSO: 3108/109

HERNU IMPLEMENTS EFFORT TO HAVE YOUNGER ARMY OFFICERS

Paris LE MONDE in French 21 May 82 p 14

[Article by Jacques Isnard: "Charles Hernu Asks the Army to Put Younger Blood into the Roster of Colonels Commanding Regiments"]

[Text] Colonels of 44 to command regiments: that is the objective the Minister of Defense Charles Hernu has just set for the general staff of the Army for 1986. At present, the average age of commanding-officer colonels is 46.

This directive figures in a recent note to General Jean Delaunay, chief of staff of the Army. The minister justifies it by his concern not to compromise his policy of putting younger blood into the general-officer corps--a policy which, starting this year, is to result in the imminent promotion, which will not have to be an exceptional one, of an infantry colonel of 48 (the minimum age stipulated by the law) to the rank of brigadier general.

This policy, desired by the minister of defense, of "progressive and continual rejuvenation" of the roster of colonels commanding regiments is in reality made possible by strict application of the officer regulations approved by the Parliament in 1972.

At the time, it was said of these laws that they were designed for the purpose of upgrading the military profession--by an increase in pay [as published] by--guaranteeing the average officer a career prospect assured up to the rank of lieutenant colonel and, at an equal age, awarding of the rank higher than the one that would have been awarded by the former selection criteria.

Uneasiness

In 1979, the Ministry of Defense had already fixed the average age of commanding-officer colonels at 44 for 1982. This objective was not reached: in the combat (or "scrimmage") units, which are the Army's spearhead, the average in 1982 is 45 years 9 months. In his note to General Delaunay, the minister of defense considers that it would be "deplorable" for such officers to remain at the rank of colonel for a long time without commanding a regiment, which is the very goal of their vocation.

Thus the idea has prevailed of bringing, in the longer run, the average age of the naming of commanding officers into line with promotion to the rank of col-

onel. Mr Hernu did not, however, reject the possibility of command being assigned to older officers; but "it would be desirable that they not be over 50" upon assuming command.

On account of the new criteria for admission to the military schools, and then the criteria for selection throughout an officer's entire career, the Army can count on having, after 1988, colonels of 40 to 41 and brigadier generals of 46 to 47--recruited, of course, from among the most brilliant on the promotion list.

Mr Hernu's note, just recently circulated, has aroused some uneasiness among the officers, especially those who, without being the oldest, might have hoped for a command and whom the new age conditions seem to exclude from the burdens but also from the rewards of the function of commanding officer. This uneasiness is even perceptible among the students--young field officers--in the schools of higher military education in Paris, even though most of them will be called on to lead a regiment.

The recruiting of the Army's officer corps is indeed very diverse, in contrast to that of the Navy or the Air Force, in which the origins are more homogeneous.

The opponents of Mr Hernu's note observe that the proposed system presents the risk of favoring even more the advancement of Saint-Cyr officers and officers who are graduates from military higher education, to the detriment of their comrades who are secondary-school graduates and obtained their rank through the noncommissioned-officer schools, and who, at equal rank, are therefore older. The careers of the former will be accelerated, opening to them the "royal road" toward high responsibilities.

To avoid these injustices, a solution under study in the Ministry of Defense would consist in raising the level of the semidirect-recruitment schools--with the risk of attracting fewer candidates to Saint-Cyr--and in increasing the proportion of officers rising from the ranks who are permitted to apply for certificates in military higher education.

11267

CSO: 3100/690

BRIEFS

MILITARY SERVICE LENGTH REDUCED--Compulsory military service has been reduced to 6 months for certain categories of draftees who formerly served for 12 months. At the same time, the privilege of the shorter term of service will extend to more categories claiming family obligations. According to reliable information, the new regulations are included in a decision by Prime Minister Andreas Papandreou as minister of national defense. The same decision also retroactively annuls the mention of soldierly conduct on all discharge or other documents pertaining to all those serving both volunteers and draftees in the armed forces issued in the past. Finally, the decision also allows individuals subject to the draft up to the age of 50 to redeem all or part of their military service, from the class of 1956 up to and including the class of 1965, at the rate of 3,000 drachmas for every month of service. [Excerpt] [Athens EXORMISI TIS KYRIAKIS in Greek 22-23 May 82 p 1]

CSO: 4621/380

SOCIALIST ORGAN EDITOR URGES STOPPING OF FUNDS INCREASES

Oslo AFTENPOSTEN in Norwegian 21 May 82 p 2

[Article by Labor press editor-in-chief Arvid Jacobsen]

[Text] Norway has a good military defense system. We are an important part of the NATO defense system. Our will to defend ourselves is great. I have had that confirmed on several trips at home and abroad (especially as a student at the Defense College in 1974-75). Not everything is perfect. In the armed forces as elsewhere, many people are blinded by the weaknesses to such a degree that they tend to notice the deficiencies most.

There is good reason just now for the defense debate in Norway to find a new course. It should be this: How can we best use the resources we think we will be capable of appropriating for defense? This would be a shift away from the customary magic in combination with percentage points. It would be a more demanding debate than continued circling around the percentages of 3, 4 or 0.

General Herman Frederik Zeiner Gundersen, former defense chief and chairman of the NATO Military Committee, said at the end of 1980 that Norway's relative defense capability had improved in recent years. He confirmed this statement in an interview with FORSVARETS FORUM, No 2, 1981. The departing commander in chief for North Norway, General Tonne Huitfeldt, said to NORDLYS (10 October 1981) that it was a little impressive that the armed forces in North Norway--and presumably in the rest of Norway as well--had been able to maintain the same level as far as standards go. This statement can also be viewed in light of the fact that Zeiner Gundersen, while he was defense chief, said in a statement on the main defense guidelines for 1974-78 that a 4 percent real growth in spending was necessary in order to implement concrete measures aimed at maintaining our relative defense capability. The subsequent growth was not as large as desired--but even so, prominent generals feel defense capability has been maintained or improved.

It will be very interesting to see what the real increase in defense spending will be in the period 1982-86 with a solid nonsocialist majority in Storting. As Prime Minister Kare Willoch, Finance Minister Rolf Presthus and others have pointed out, due to the drop in oil revenues, Norway is in

an entirely different economic situation than it was when the recommendations in the Long-Term Program were written. A few years ago (was it when the Defense Commission issued its recommendation?), how to use as much of the oil money--abroad--was a theme in the Norwegian debate. At that time there was some sense in discussing the purchase of advanced weapons systems from other countries.

Unemployment

Within a short space of time the western economy declined sharply. Unemployment is rising, especially for young people. The threat to our form of society comes mainly from such conditions. We must use a larger part of our resources to find better answers to these challenges. The really serious threat from the Soviet Union is directed against Warsaw Pact members. The Poles recently found that out. The world saw that in Hungary in 1965 and in Czechoslovakia in 1968.

Norway can maintain an adequate defense capability without real growth in spending. That is the most likely result and some signals indicate that several people are adjusting themselves to it. So perhaps it will be the economy that determines what we must defend ourselves with--instead, there should be a debate on what we should do within the limits we have today. Resetting priorities is difficult, but it is possible. We can make reductions in the standing ready forces in southern Norway and stress more mobilization defense forces. We can reduce the number of permanent employees in the defense system. It will be possible to reduce the number of officers on several staffs by the process of natural attrition. I am (as AFTENPOSTEN pointed out in an editorial on 13 April) an advocate of strengthening low defense of our air bases. But we have discussed that since 1957. We have managed without air base missiles for 25 years.

Dubious Analysis?

In an article in the book, "Europe or the United States. Must Norway Choose in the 1980's?" I give my views on the balance of forces and armaments. Against that background, I reached the conclusion that NATO is not militarily inferior to the Warsaw Pact. AFTENPOSTEN calls this "a highly dubious analysis." I have gathered material from various sources for many years. In connection with the article, I thoroughly checked the information I presented. Naturally the things I said must be tested under the public spotlight. But I would rather have what others think is true presented than have them cast doubts and call names. Does AFTENPOSTEN have different figures--if so, what are they?

It is a puzzle that the United States has issued an extensive document on Soviet military power, not on its own power. The Soviet Union is following the same course and issuing pamphlets on U.S. strength. It is understandable that the superpowers are trying to put out their own versions and propaganda. It is more worrying that many others, also in Norway, accept uncritically the premises of various suppliers of information. A very

widespread technique is to be selective in making comparisons. For example, one can pick central Europe, the northern region--or medium-range missiles (and only that weapons system). That way one can get a Soviet superiority. The only sensible course is to include everything. Then the picture will be objectively more correct--and as it must be viewed in the East.

I would like to appeal to the country's biggest serious newspaper to use some of its sizable resources on a factual review of everything. Others should also increase their efforts, especially NRK [Norwegian Broadcasting Corporation]. At times one has the impression that NRK TV functions more as a channel for various military branches in their internal tug of war, instead of giving an overall analysis to the extent this is possible.

NATO Superior

There can be divided opinions as to who is strongest when one looks at the plain figures of soldiers and weapons systems. It is not easy to make comparisons. For instance, the Soviet Union has considerably more tanks than NATO. Is it a balance when NATO's fleet is double the size in tonnage of the Soviet Union's? This is impossible to answer and that is why there is disagreement about balance. As a whole, NATO has enough conventional and nuclear resources to insure that no one could attack with any likelihood of winning a victory. NATO is roughly on a par with the Warsaw Pact in its level of forces. The reason why I feel the West is superior even so lies in these additional elements: the West has a clear technical head start in almost all areas, we have better-motivated soldiers (how many Poles would fight for the Soviet Union in a future conflict?), we have a civilian society that functions better when it comes to supplies, maintenance, health care and the ability to make rapid changes if this should prove necessary. We have an unparalleled industrial potential--and organizational talent.

Advanced electronic equipment has the weakness of being very vulnerable. But the facts clearly show who is first with new weapons systems. The Soviet Union used to be ahead in one area--in 1957, Sputnik was the first satellite to go up in space. But otherwise the United States has been the leader by being first with the atom bomb, the hydrogen bomb, strategic bombers, medium-range missiles, intercontinental missiles, nuclear submarines, submarine missiles, solid fuel intercontinental missiles, multiple warhead missiles, missiles with warheads that can be programmed--and most recently, the neutron bomb.

Enough is Enough

At some point, enough weapons must be enough. According to the former director of SIPRI, the Stockholm International Peace Research Institute, Frank Barnaby, there is enough nuclear firepower in the world to equal around 3--three--tons of TNT for every man, woman and child on earth. We must reduce both conventional and nuclear arms levels. But until that happens we should freeze the nuclear arsenal in both East and West. And for our part we can freeze our defense at its present level. Norway and NATO have enough for their defense.

6578

CSO: 3108/110

HANDBOOK CITES NORWEGIAN EFFORTS PRIOR TO UN DISARMAMENT SESSION

Oslo AFTENPOSTEN in Norwegian 26 May 82 p 5

[Article by Liv Hegna]

[Text] Many groups are looking forward with anticipation to the second special UN session on disarmament. Norway places great emphasis on this aspect of our foreign policy. Prime Minister Kare Willoch will address the United Nations on Norway's behalf on 15 June. But Norway has also taken an active part in the preliminary work within the United Nations organization. A thorough but clear and easy to read survey of this activity was issued recently in book form by the Foreign Ministry.

The book is primarily intended to serve as a handbook for the Norwegian delegation to the special session, but it also provides good information for others who are interested in the issues discussed. The book, which is 230 pages long, gives the background for the special session, lists the preliminary work that has been done and reviews official Norwegian statements in connection with this activity. The working papers planned or completed on the Norwegian/Nordic side, correspondence with the UN secretariat and the Norwegian agenda proposal for the special session are included in the publication. It also includes a statement on the 1980's as the second disarmament decade and the final document from the first UN special session on disarmament in 1978.

The Norwegians have been especially active in analyzing the consequences involved in larger weapons acquisitions. In 1978, Norway presented its own proposal on this, but did not gain enough support for passage. But the Norwegian working paper was given special mention in the final document as a proposal that deserved further study and consideration. Norway is now working on how the idea of analyzing the consequences can be followed up most appropriately in connection with the special session. The Foreign Ministry has prepared a new working paper which has been presented to the planning committee but there is no indication as to how the wind is blowing for this proposal this time.

It is also expected that the question of expanding the Disarmament Committee working in Geneva will come on the agenda in New York. Norway takes

part as an active observer and only Austria and Norway have taken part at various stages in all the working groups of the Disarmament Committee. The Foreign Ministry book issued prior to the second UN special session on disarmament states that Norway will ask to become a member of the committee if it is decided to expand it.

Norway has also taken the initiative for preparing a Nordic document that underlines the importance of a halt to the further proliferation of nuclear weapons. Norway has also offered practical assistance in building a seismic surveillance network in connection with further work for a total test ban agreement.

The Foreign Ministry book does not discuss the issue of nuclear-free zones, since the government has announced that the issue will be dealt with in the forthcoming Storting report on disarmament that is expected to be ready in early June.

6578

CSO: 3108/109

CHANGES SEEN IN ARMY BASIC TRAINING REGIMEN

Stockholm SVENSKA DAGBLADET in Swedish 12 May 82 p 14

[Article by Bo Hugemark: "Is There a Wind Of Change in The Army?"]

[Text] "Armen vid skiljevagen" [The Army at The Crossroads]
by Anders Risling and Bertil Nelsson. Can large bureaucracies
renew themselves?

Training methods are not frequently discussed in messes, classrooms or at the lunch table. Why? Every instructor has his own important experiences, positive or negative. Probably because this is an area loaded with prestige, and something which instructors are strongly emotional about. The feeling of failure after a poorly delivered lesson or exercise is strong, and something preferably suppressed.

To create debate about the questions of training is the objective of Anders Risling's and Bertil Nelsson's "Armen vid skiljevagen" [The Army at The Crossroads]. Can large bureaucracies renew themselves? Anders Risling is a psychologist and researcher at FOA [Research Institute of Swedish National Defense]. Bertil Nelsson is a lieutenant colonel of armored troops and is serving on the Army Staff. Both have been leaders in the development of leadership training methods which during recent years has been going on within the army.

The authors report the advantages of this development and discuss it in relation to different theories about training methods, leadership and organizational development. Against the background of these and the practical experiments which have been conducted and are going on in the Royal Svea Lifeguards, recommendations are made for the future. The direct application is military, but the problems are general, and the book should have something to give to civilian teachers also. The authors express it in this way:

"Sound military training adopts the applicable aspects of instruction within the civilian community. And conversely--civilian instruction which does not look with interest on military training developments is perhaps losing some opportunities."

The main theme of the book is change, in two respects. The ability to change must be a property of the leader/instructor. He must continuously adapt his methods to what is being taught, and to the students' situation. Also, the authors do not believe that it is possible to achieve good training without broad changes in the organization, officer attitudes, career systems, etc.

The message of the book is captivating. The authors believe they have found a psychological turning point some time in the 1940's from the aristocratic tradition to a dominantly bureaucratic direction. Opponents are personified by Colonel Axel Gyllenkrok, the great name in Swedish training theory of World War II. "Gyllenkrok had one foot in the farming community and the other in the industrial community. The heart and emotions were those of a nobleman, the brain and thoughts were those of a bureaucrat."

The hearts and brains of the authors are closest to those of the aristocratic Gyllenkrok. They find much of value there, the statement of the objective before the means, the demand for improvisation, dislike of fixed patterns. This is something especially important in a future war, of which the only thing that can be said with certainty is that it will be different than the last.

Developments in education, civilian and military, are often abrupt. From the classroom to problem solving to the renaissance of the classroom. Pedagogical experiments on a large scale can have catastrophic consequences for entire generations. Risling and Nelsson say that education must not be adapted in individual situations to follow trends. The theories which form the basis for that reasoning deal with harmonious interaction and opposing circumstances between several factors--difficult enough in a Swedish debating climate which mostly deals with what is white and what is black.

To begin with, we have the qualifications created by education:

- Knowledge and preparation, necessary for work and production.
- Adaptation--attitudes which correspond to the norms and values of the society.
- Creativity--properties which are necessary for the development of work.

In different situations these enter in different proportions into the goal of education.

The instructor/leader who will impart these qualifications must adapt his attitude to the circumstances. With this adaptable leadership there are varying degrees of "information direction" and "personal direction." What the proportions will be depends on the maturity of the students. "The goal is that the leader will be needed as little as possible!"

When it comes to the teaching methods, the authors refer to the group (of less than 10 men) as the propelling force in education. This does not mean that group work is the only method, instead it is a question even here of an interplay between the methods of intermediation, group orientation and problem orientation.

All these are principles which were written a year ago in the army's LTU [Manual For Troop Training]. The authors are, however, obviously experiencing difficulty in bringing these ideas forth. They see as the largest obstacle the continuing bureaucratization. "The army now finds itself in a condition which is a trying time for the majority of industrious teachers. There are major requirements for changes in it, at the same time as heavy factors, which control its activities, remain unchanged."

Enter now the experiments with the Royal Svea Lifeguards. What was done there was an attempt to put the training methods and organization in balance with each other. The platoon (30-40 men) was the training unit around which everything revolved. Conscripted student noncoms served early as commanders. The permanent platoon leader had a central role as supervisor. The authors believe that the conclusions clearly point to different forms of decentralized training responsibility, a concept of training which emphasizes the connection between different divided goals and avoids fragmentation, and to concrete measures for elevating the status and quality of the platoon leader. Here we are looking backwards to the old feudal ideal, the platoon leader of the 1940's was often an experienced, independently acting lieutenant. Today's are newly commissioned officers who are often strictly controlled by their superiors.

The subtitle of the book "Can large bureaucracies renew themselves?" indicates that the authors tend toward the difficult, even when simple solutions are available. In connection with different organizational theories it is pointed out that one may require counsel in order to discover and dare to do something about a problem. But if one wants change he must create a constructive debate. The question is whether the authors are coming to this point. Two citations from the book show a fundamental difficulty. "The division of subjects in the training of soldiers has caused it also in officer schools. This has, among other things, caused a suspicion against theory in higher officer education." This naturally creates a debate climate which is characterized as "fear of criticism and analytical thought, and instead an affection for superficial and simple solutions."

But this is not a specifically military circumstance. The entire public debate is characterized by the idea that theory, which will help us to critical and systematic thought, is caught between policy slogans and "practical experience" which is taken as proof for sweeping decisions.

Risling/Nelsson's book deserves a better fate. Its recommendations should be seen as examples of conclusions allied with theories and with special

circumstances under which they are tested. Whoever disapproves of the conclusions can try to show what is wrong with the theories and in which way the assumptions can be different in their application.

Above all, it is important not to argue in all situations with the aim of defending painful mistakes, as all instructors have done.

9287

CSO: 3109/166

SCIENTISTS CALL FOR CANCELLATION OF SPACE MISSION WITH SOVIETS

Paris LE MONDE in French 21 Apr 82 p 7

[Article: "Scientists and Intellectuals Invite the Government to Pull Out from the French-Soviet Space Mission"]

[Text] The French-Soviet space flight, scheduled for the second half of June, has given rise to a wave of protests on the part of French scientists and intellectuals. The Sakharov affair, Afghanistan, and Poland, they say, are as many reasons for pulling the French astronaut out. Be that as it may, on Monday, 19 April, the Soviet Union launched a new orbital space station of the Salyut type. The vehicle, which has been given the code name Salyut-7, is to replace the Salyut-6 station which has been in orbit since September 1977. Although the Soviets always announced their intention to launch a new Salyut which, it seems, is slightly different, in terms of its design when compared to the preceding one, the French--whose two astronauts are currently being trained in Star City to participate in a French-Soviet flight in June--are wondering whether the launching of Salyut-7 would take place sufficiently on schedule or whether it would be necessary to fall back on Salyut-6 which has for the most part served its time. But things are moving ahead and one of the two French astronauts could, accompanied by two Soviets, spend about 8 days on board the station. But, as is done usually, an entirely Soviet team--made up probably of Anatoly Berezhovoy and Valentin Lebedev--would have to precede in Salyut-7 to receive them. Such a mission could come about during the very first few days of May. Everything is in place for the French-Soviet flight to get the go-ahead--something which Mr Hubert Curien, the president of the National Space Studies Center, recently reaffirmed: "We are concerned with making sure that this space event will develop its full scientific character which is important; we do not want to turn this into a political event." There is no doubt that the two French astronauts--Jean-Loup Chretien and Patrick Baudry--currently in training at Star City, not far from Moscow, do not subscribe to this idea.

This mission is a part of a space cooperation effort which has been developing regularly for more than 10 years within a context of more general scientific cooperation, including the dispatch of French scientists who worked on certain Soviet equipment items such as, for example, the Serpukhov particle accelerator or the giant telescope at Zelenchuk.

For the Committee of French Physicists, "as far as the planned physics experiments are concerned, a human presence is not necessary to conduct those experiments¹ and they could advantageously have been automated." "What will we have gained at the end of this mission?" the announcement asks. "We could use the experience of the first French citizen who, thanks to the invitation of the Soviet government, will have been subjected to the physiological conditions that are well known, by the way, and that are encountered during space flights. While the scientific aspect of the operation thus looks rather modest, the same is not true of its political aspect.

"We can anticipate the way in which the Soviet government will exploit this undertaking for both domestic and foreign consumption. In this operation, France above all will play the minor role of a foil." The Committee of Physicists also refuses "to accept the idea that science should serve as an alibi for a mediocre prestige operation."

The Sakharov Committee admitted that "space cooperation between French and Soviet laboratories is already a long-standing thing and reveals good quality" but commented that "the French researchers involved in this experiment, and of course the others, are beginning to ask themselves certain questions." Is the participation of the French astronaut really justified in the light of his scientific or even technical activity? One can certainly doubt that, the Sakharov committee stated. On the other hand, the political fallout for the USSR from this triumphant satellization--in the real meaning of the word--will not escape anyone.

"From the bottom of his pit in Gorky, he (Sakharov) will watch the Salyut satellite pass over like some petty show. Will he see or will he imagine the French astronaut in this orbital station? That astronaut whose widely amplified greeting will be addressed to all the peoples of the Soviet Union, except Sakharov, and his friends and colleagues, the dissidents who are imprisoned because they had a certain concept of human rights." "This vehicle should bring a message of peace; instead it will bring our submission to the surrender of principle."

The same note was sounded in a document signed by almost 150 persons, entitled "Solidarite ou spationaute, il faut choisir" [Solidarity or Space Flight, We Must Make a Choice]. "Regardless of any judgment as to the importance of the experiments to be conducted on board--all of which, it seems, could be completely automated--it is clear that this project above all has always had a symbolic and political character: On the French side, there was cheap prestige and national crowing; on the Soviet side, we know sufficiently well how they are going to exploit this kind of operation which is always pictured as support for the

regime." No ritual message will change anything in the reality of a political choice which, once again, strips the official protest on the subject of Poland of any significance. The continuation of this program would clearly mean that nothing has changed in this area compared to the foreign policy of the preceding administration."

FOOTNOTES

1. Contrary to what the Committee of French Physicists maintains, one of the experiments does require the presence of a man on board the station since it consists of an observation of the blood flow in the astronauts.

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